

Country	Code	Country	Code	Country	Code
Austria	3560	Iran	1580	Philippines	3560
Belgium	3560	Italy	1580	Poland	3560
Cyprus	3560	Jordan	1580	Portugal	3560
Denmark	3560	Korea	1580	Saudi Arabia	3560
Egypt	3560	Latvia	1580	Singapore	3560
Finland	3560	Lithuania	1580	Spain	3560
France	3560	Malaysia	1580	Sweden	3560
Germany	3560	Mexico	1580	Switzerland	3560
Greece	3560	Morocco	1580	Taiwan	3560
Hungary	3560	Norway	1580	Thailand	3560
Ireland	3560	Poland	1580	Turkey	3560
Israel	3560	Romania	1580	USA	3560
Italy	3560	Slovakia	1580	USSR	3560
Japan	3560	Slovenia	1580	Yugoslavia	3560

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

US DEFICIT

The real test lies ahead

Page 23

FT No. 31266

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Tuesday October 2 1990

£ D 8523A

World News Business Summary

Bush seeks to reassure world leaders on Gulf crisis

President Bush yesterday sought to reassure other world leaders about US intentions in the Gulf crisis, following increasing worries about a slide into war.

Mr Bush said Iraqi behaviour was a challenge to the entire world's vision of the future - "a test which we cannot afford to fail". Page 24, Gulf crisis, Page 2

Thaw in relations

Chinese prime minister Li Peng used his National Day speech to signal Peking's willingness to normalise relations with Vietnam. Page 8; US may lift aid curbs, Page 8

Serbs proclaim split

The Yugoslav state presidency called an emergency session after leaders of the Serbian minority in the republic of Croatia proclaimed autonomy. Page 7

Bomb inquiry opens

Pan Am called for more government help for airlines in the fight against terrorism on the first day of the Lockerbie air disaster inquiry in Scotland. Page 14

Korean unity hope

South Korean president Roh Tae Woo said that newly established diplomatic ties with Moscow would encourage reunification of the Korean peninsula by sparking changes irreversible to North Korea. Page 8

Beirut rally shelved

Unidentified gunmen opened fire on a Beirut rally attended by hundreds of followers of rebel Christian General Michel Aoun, killing 12 people and wounding at least 36, witnesses said.

Walesa on hustings

Lech Walesa, ahead of his chief rival, prime minister Tadeusz Mazowiecki, launched his campaign for the Polish presidency with a planned mass rally in Torun.

Indian court order

India's Supreme Court ordered the government to halt its job quota programme for lower castes, hoping its temporary injunction will stop a wave of student protests and suicides. Page 8; Singh regrets missed opportunity, Page 8

Troops shoot youths

British soldiers shot dead two Irish teenagers when they crashed through a checkpoint in a stolen car in West Belfast. A third teenager suffered arm injuries. Page 12

End to persecution

The Soviet parliament ended decades of state persecution of organised religion by giving final approval to a law guaranteeing freedom of worship.

Security reviewed

Foreign ministers from 35 western and eastern European countries began a two day meeting to lay the foundations of a new European security structure. Page 3

Shares 'no gift'

Ronald Li, the former chairman of Hong Kong's stock exchange, on trial on corruption charges, yesterday denied he was receiving any "reward" when he was handed 700,000 free shares. Page 8

Raid on station

Gunmen broke into a Nicaraguan radio station critical of the government and opposition Sandinista party, doused equipment with petrol and set it on fire. Workers' Front defiant. Page 3

Millions may starve

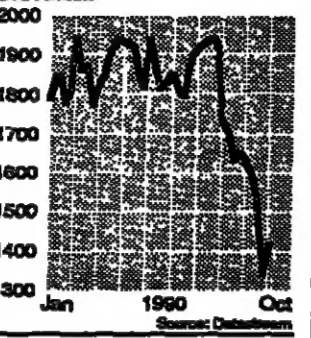
Sudan is on the brink of a famine worse than the one in Ethiopia in the mid-1980s, but the ruling military junta refuses to acknowledge the threat, relief officials and diplomats said.

Airbus wins America West Airlines order worth \$5bn

Airbus, European aircraft manufacturing consortium, made a new breakthrough in the US airline market with a \$5bn order for up to 118 A320 aircraft from America West Airlines.

The latest deal comes on the heels of a \$1.8bn order for 26 A320s from Swissair and an order from US carrier Northwest Airlines for the purchase of 100 A320s and 30 options on the A321. Page 24

West Germany



DAX index put on 6.4 per cent as the Bundesbank's average bond yield fell two basis points to 9.19 per cent. The DAX index closed 85.94 higher at 1,429.73. Back Page, Section II

RENALUT, French state-owned car maker, predicted a more than 8 per cent fall in profits for 1990 and said it was planning for a 3 per cent to 5 per cent decline in the European car market for 1991. Page 25

US Purchasing Managers' Index, most widely followed indicator of manufacturing sentiment, fell for the third successive month in September, to 44.4 per cent, the lowest level since December 1982. Page 24

SWEDEN's three leading finance companies, hit last week by a financial crisis, appeared to be heading towards a satisfactory solution of their problems following discussions with the companies' banks and owners. Page 25

FIFTEEN leading developing countries have suggested the establishment of a "comprehensive International Trade Organisation (ITO)" within the United Nations system. Page 4

SIEMENS-NIXDORF Informationssysteme (SNI), German computer company formed from Siemens' takeover of the ailing Nixdorf Computer, received a number of overtures from potential partners, its chairman said. Page 25

Daimler-Benz, West German engineering group, is planning to invest up to DM1.9bn in East Germany over the next two to three years, according to Edoard Reuter, Daimler's chairman. Page 7

MANUFACTURERS Hanover, Bell Atlantic and a group of Argentine investors are still having difficulty completing their bid to take over half of ENTEL, Argentina's state-owned telephone company. Page 25

SKANDIA Group of Sweden is about to become the first European insurer to be listed on the London Stock Exchange via new European rules which provide for mutual recognition of listing procedures between EC member states. Page 25

WINTERSHALL, West German gas subsidiary of the BASF chemical group, has signed a significant deal with the Soviet Union for the supply of natural gas to East Germany and western Europe. Page 7

Tokyo unveils emergency package to support shares

By Stefan Wagstyl in Tokyo

THE NIKKEI index of leading Japanese stocks yesterday fell through the 20,000 level for the first time since early 1987, prompting the Ministry of Finance to announce a package of emergency measures to support the equity market.

News of the move pulled the Nikkei back above 20,000 in late trading and it closed a net 761.64 points down on the day at 20,221.86.

The market has now shed 48 per cent of its value from its peak at the end of last year, the biggest decline since it fell nearly 82 per cent during the Korean War in the early 1950s.

"You can say it's a melt-down," said Mr Peter Tasker, research manager at Kleinwort Benson, the British merchant bank's Tokyo office.

The Finance Ministry's measures include easing restrictions on trading on credit by private investors and on stock market investments by financial institutions. The ministry is also cutting the trading hours of the stock futures and options market, which is widely blamed by Tokyo for exacerbating price fluctuations in the stock market.

Announcing the package at a hastily-called press conference, Mr Ryutaro Hashimoto, the finance minister, also hinted that monetary policy should be adjusted to take account of the fall in stock prices. He said the risks to economic growth should be considered when shares were plummeting as they were now. Attention should be paid to fears of inflation, but greater debt should be paid to the risks of growth faltering, Mr Hashimoto said.

Mr Hashimoto's remarks could signal the start of a new disagreement over monetary policy between the Finance Ministry and the Bank of Japan, which puts fighting inflation at the top of its priorities.

Earlier this year, the two institutions disagreed over the speed with which the central bank raised the Official Discount Rate at a time when stock prices were falling. Later, the central bank and the ministry seemed to patch up their differences.

There was no sign of tension in August when the Bank of Japan raised the official rate for the fifth time in the past 18 months to 6 per cent.

The ministry's package is the first concerted attempt to support equities since prices started falling at the beginning of the year. In contrast to the crash of October 1987, there have been virtually no reports of the ministry trying to co-ordinate buying by large institutions.

Until yesterday, the ministry seemed to have accepted the central bank's argument that equity prices had been driven too high by investors taking advantage of easy credit in the years 1985-88. Higher credit meant prices were bound to fall. However, the 20,000 line on the Nikkei index, breached yesterday, appears to have been a pre-determined trigger for ministerial action.

To boost buying by private individuals, the ministry will allow investors to buy on credit from a broker up to 80 per cent of the value of stocks deposited as collateral. The current limit is 70 per cent.

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CRISIS IN THE GULF

France denies negotiating with Iraq on Gulf conflict

By Ian Davidson in Paris

IRAQI insinuations that some form of negotiation on the Gulf crisis is under way between Paris and Baghdad have been roundly denied by the French government.

The Elysée Palace said yesterday that the only contacts between the two governments were of a purely routine diplomatic character, "without any form of relation to a negotiation".

The Iraqi claims were followed yesterday by an announcement by the official Iraqi news agency that nine French hostages would be released in Baghdad.

But the French presidential spokesman said the release of the hostages did not essentially change the situation, since France expected the release of all the hostages, French and foreign.

He said that the only diplomatic contacts between the two governments were concerned with problems "related to the unacceptable hostage situation".

The coincidence between President François Mitterrand's slightly more conciliatory speech at the UN last week, the Iraqi allegations over the weekend, and yesterday's hostage release, could look like a French attempt to establish a special position in the Gulf crisis, in line with its long-standing policy of friendship with Baghdad.

But western diplomats discount such suspicions, and suggest instead that it is probably Mr Saddam Hussein, the Iraqi president, who is trying to drive a wedge between France and its partners.

In any case, they point out, President Mitterrand's proposal of negotiations could only be operative after UN Security Council demands had been met - the release of all hostages and the withdrawal of all Iraqi forces from Kuwait.

Mr Tom King, defence secretary, said the location was appropriate for logistical reasons and the British forces' heavy Challenger would complement the US machines' mostly lighter tanks.

The US is to provide attack and reconnaissance helicopters to support the British brigade.

The size of the UK forces has already been increased from the initial estimate of 6,000-8,000 men by the addition of logistic support units.

Mr King said command and control arrangements were being settled. Any use of British forces in combat would be decided jointly with the Saudis.

He added: "The command arrangements we have agreed provide for UK forces to be placed under tactical control of a US commander where this makes military sense."

Gen de la Billière said he was confident about working with American forces. He expected to consult US commanders on a daily basis.

The general, who at 55 was on the point of retiring from the army, won the Military Cross in Oman in 1989 during an assault on Jebel Akdar, a rebel-held bastion. He also served in Aden, again in Oman as commander of SAS anti-insurgency operations in the southern province of Dhofar in the early 1970s, and in Sudan. He said yesterday that his knowledge of the Arabian peninsula "should help mutual understanding at the highest level".



Mitterrand: conciliatory

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Mr Mitterrand put forward a four-point plan for a resolution of the Gulf crisis. The main novelty in his proposals was the careful avoidance of direct mention of restoring the al Sabah family as Kuwait's rulers.

The Iraqi leadership has seized on the French proposals as a positive gesture, focusing on the linkage, after an Iraqi withdrawal from Kuwait, between a resolution of outstanding Middle East problems related to the Arab-Israeli conflict.

In New York, meanwhile, Mr Mark Eykens, Belgium's foreign minister, said in a Belgian radio interview that Mr Mitterrand's peace proposals did not tally with repeated calls in EC capitals for a joint foreign policy approach by the European Community. Eykens adds from Brussels.

The minister said there had been no EC involvement in Mr Mitterrand's proposals. "Some regard this French initiative as premature. I may personally add that the whole initiative was not considered within the European Community," Mr Eykens said.

Mr Hosni Mubarak, the Egyptian president, yesterday also criticised Mr Mitterrand's plan for suggesting that elections be held in Kuwait after a possible Iraqi withdrawal.



French soldiers arriving in the Saudi port of Yanbu prepare to head for the Iraqi border area

Dubai looks doubtfully for the silver lining

Victor Mallet sees the emirate put on a brave face

IF THE optimists at the Chamber of Commerce are to be believed, Dubai will be to the Gulf crisis what Bangkok was to the Vietnam war, a safe haven for regional trade and - prostitutes excepted - a "rest and recreation" centre for foreign troops.

"Dubai", says one banker, "will always find an angle". A government official, watching the shows playing their Gulf trade up and down the Creek which bisects the city, recalls the stability of the emirate during the Iran-Iraq war. "We've always managed to make the most of whatever happens in the area," he says.

No-one can doubt Dubai's commercial ingenuity and flexibility. The airport now has a duty free shop for arriving passengers. Next year's "Dubai 81" was transformed with uncanny foresight from a simple international air show into an aerospace and defence exhibition (including military equipment for land and sea) shortly before the Iraqi invasion of Kuwait on August 2.

A fortnight ago the Dubai ruling family announced plans for a multi-million dollar leisure development by the Creek, including a 300-room, five-star hotel, a championship-standard golf course to be irrigated with desalinated water, a golf academy and a 150-boat marina. Work has already begun and the project should be finished in 18 months.

Negotiations to secure gas supplies for Dubai's power station and fledgling industries in the Jebel Ali free zone are continuing.

Dubai, in short, is putting on a brave face after the shock of the Iraqi invasion. "It's just a matter of time and everything will go back to normal," says Mr Abdullah Al-Jabir, of the Dubai Chamber of Commerce and Industry.

Thousands of foreigners fled the UAE at the start of the crisis, and many dependents are still abroad, but the schools for foreign children are now

filling up as the new term gets under way.

Business throughout the emirate, however, is far from normal. An economy which was booming on August 1 has suddenly run out of steam. Dubai and the UAE as a whole profit from higher oil prices, but the Dubai emirate's policy of reducing dependence on its own diminishing oil reserves by investing in industries and services is now threatened by the world's lack of confidence in the Middle East. "It's a time for getting on with your feasibility study and then not taking a decision," says one banker.

Investment plans are on hold and credit is hard to come by. The number of business visitors has declined sharply, leaving hotels and aircraft half empty (despite an initial boost to air traffic caused by the flow of refugees and the diversion of flights from the northern Gulf). Housing rents have stopped rising despite the influx of Kuwaiti refugees.

"We are losing money like hell," says one manager for a European airline which is considering the suspension of flights to Dubai. According to a local businessman, it is a case of "In God we trust strictly cash please".

Tourism, a new industry for Dubai which attracted 20,000 visitors last year, has been severely affected by cancellations. Some holidaymakers have refused to pay for two weeks for the price of one.

Trade, Dubai's life-blood, is suffering too, although Iran with its growing oil revenues is likely to become an increasingly important destination for re-exports.

The UAE authorities have so far failed to persuade Lloyd's underwriters to discriminate between the northern and southern Gulf in the application of war risk premiums, a severe blow to Dubai's air and sea re-export trade. Only the Dubai merchants are sitting

on 1,800 containers destined for Kuwait. Advertising agencies have been hit hard because Kuwait was a big spender for the industry, while BP in Dubai was unlikely enough to import refined oil from Iraq for processing into lubricants and to export much of its output to Kuwait.

Bankers are still trying to recover from the outflow of money which accompanied the post-invasion panic of early August. Mr Abdulla al-Hamad, the central bank governor, says commercial bank deposits fell by only about 6 per cent up to August 15, while bankers estimate that the average drawdown could have been as high as 20 per cent, a situation which was probably alleviated by injections of liquidity from the authorities and "gifts" of hundreds of thousands of dirhams to Abu Dhabi citizens to deposit in their accounts.

Foreign banks were generally able to transfer funds from their affiliates abroad, while local banks with government shareholdings received government deposits, leaving private local banks with the most severe problems.

Mr al-Hamad last week said the crisis confirmed the long-acknowledged need for mergers between the weaker banks. What the UAE's commercial bankers fear now is another round of capital flight if war breaks out in the Gulf, and they hope the region's central banks have drawn up adequate plans to co-operate in an emergency.

"Business as usual" is the official cry in the UAE, but everyone knows it is not entirely true. One foreign businessman in Dubai has a four-wheel-drive vehicle, the ready and packed with fuel, water and gas masks in case he needs to escape. However much he may be exaggerating the physical dangers of life in the UAE, such precautions can scarcely inspire confidence in a potential investor.

Former SAS director to command British forces

A FORMER director of the Special Air Service, the British army's elite special forces unit, was named yesterday to take command of British military operations in the Gulf, writes David White, Defence Correspondent.

The announcement of Lt Gen Sir Peter de la Billière's appointment came as the first elements of a 9,500-strong armoured brigade, the first British ground combat troops committed to the operation, were under way to serve alongside US marines in Saudi Arabia.

Extensive Middle East experience was clearly a big factor in the choice of Gen de la Billière to command Britain's land, sea and air forces in the region.

British ground-based forces have so far been commanded by Air Vice Marshal Sandy Wilson, who will remain as number two. The appointment of a more senior overall commander reflects the sharp increase in the size of British forces committed to the Gulf - now about 15,000, plus about 2,000 medical personnel - and the need for UK representation at a suitable level in the emerging allied command structure.

The UK's 7th Armoured Brigade, which has begun shipping tanks and other vehicles and equipment from its northern German base, will operate alongside the US 1st Marine Expeditionary Force in Saudi Arabia's north-east coastal region.

Mr Tom King, defence secretary, said the location was appropriate for logistical reasons and the British forces' heavy Challenger would complement the US machines' mostly lighter tanks.

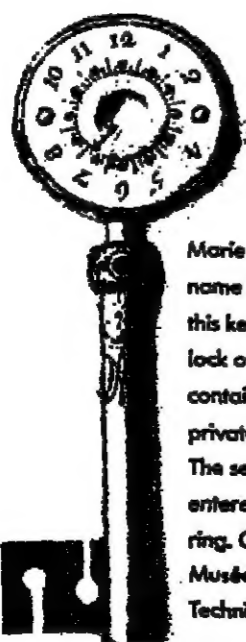
The US is to provide attack and reconnaissance helicopters to support the British brigade.

The size of the UK forces has already been increased from the initial estimate of 6,000-8,000 men by the addition of logistic support units.

Mr King said command and control arrangements were being settled. Any use of British forces in combat would be decided jointly with the Saudis.

He added: "The command arrangements we have agreed provide for UK forces to be placed under tactical control of a US commander where this makes military sense."

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Israel to begin issuing gas masks to civilians

By Hugh Carnegie in Tel Aviv

THE Israeli authorities, concerned by threats of attack by Iraq, said last night that protective kits against chemical weapons were to be issued to all Israeli citizens.

The army stressed that the measure was precautionary and did not constitute "the change to an emergency status".

However the government evidently decided at a cabinet meeting on Sunday that recent threats by Baghdad to attack Israel as well as Middle East oilfields warranted distribution.

The authorities have made it clear they treat the threats seriously and do not rule out a

strike at Israel by Iraqi missiles which could carry chemical weapons and against which the defence forces have virtually no defence.

The government has resisted public pressure in the early stages of the Gulf crisis to take such a step, which involves the distribution of more than 4.5m gas mask kits stockpiled by the army, for fear of inducing panic or suggesting Israel planned a pre-emptive strike.

The army said the decision contained no such signal. Officials said it was in line with a decision taken months ago to provide the population with gas masks, though implemented earlier than planned.

Venezuela seeks oil price talks

VENEZUELA, which has the largest reserves of crude oil in the western hemisphere, last night proposed an urgent conference of producer and consumer nations to consider measures to stabilise petroleum prices, Michael Littlejohns, UN Correspondent, writes.

President Carlos Andrés Pérez made the proposal in an address to the UN General Assembly. He said the conference should be under UN auspices and be preceded by meetings of Opec and the International Energy Agency.

Nether Opec nor the industrialised world could allow abrupt oil price increases, he said. Nor could they tolerate equally abrupt drops in price once the Gulf crisis was over.

"Such excessive fluctuations are harmful to us all, consumers and producers alike, and only favour speculators who do not care much about the well-being of nations or the world economy," he said.

Alarmed by the effects of soaring oil prices on the poorest countries, UN officials were enthusiastic about his proposal. But they also observed that the Gulf producers as well as the US and Japan had been cool in the past to UN involvement in pricing arrangements.

However, Venezuela's ready agreement to a recent request by Washington to raise its production to 2.5m b/d might influence reaction to Mr Pérez's initiative.

Oil prices fell yesterday following calls by Iraqi President Saddam Hussein for dialogue to resolve the Gulf crisis, writes Steven Butler in London. North Sea Brent crude oil for November delivery was trading about \$1.30 a barrel lower at \$38.15.

NEWS IN BRIEF

Iran in talks on renewing Saudi links

MR Ali Akbar Velayati, the Iranian foreign minister, and his Saudi counterpart, Prince Saud al-Faisal, met in New York to discuss resumption of diplomatic relations 2½ years after they were severed. Iran's official news agency said yesterday, AP-DJ reports from Nicosia.

IRNA said the meeting took place on Sunday at the United Nations headquarters. The two foreign ministers also discussed the Gulf crisis. It was the first time that ranking officials from the two countries have met since the rupture of ties.

IRNA said Mr Velayati told Prince Saud that the main obstacle for resumption of relations was the dispute over the number of Iranians allowed into Saudi Arabia to worship at Islam's holiest shrines at Mecca and Medina.

Jordan bans trucks

Jordan banned trucks bound for Saudi Arabia or other Gulf states from crossing its territory yesterday, a security official said, Reuters reports from Amman.

He said the measure was in reprisal for Riyadh's refusal to admit Jordanian trucks taking goods to Saudi Arabia and the Gulf and was the latest sign of worsening relations between Jordan and Saudi Arabia since the Gulf crisis began.

British spurn nuclear weapons

British forces will not use battlefield nuclear weapons to reply to an Iraqi chemical attack, the commander-in-chief of the British Army on the Rhine said yesterday, PA reports from Bremerhaven. "It's never ever been even suggested to me," added General Sir Peter Inge. Sunday newspapers reported an unnamed senior officer as making the suggestion.

Air India costs airlift

The airlift of 170,000 Indian refugees from Kuwait and Iraq will cost more than Rs800 (US\$100), Air India disclosed yesterday, writes Paul Abraham in London.

The operation, which has involved 337 specially chartered flights carrying about 80,700 refugees, has already cost about Rs80m. At least 300 further trips will be needed over the next four weeks to transport the remaining 90,000 refugees still in the area, according to Mr Jibender Bhargava, chief public relations manager at Air India.

Thatcher proposes reparations

Mrs Margaret Thatcher, the British prime minister, is seeking the support of other members of the UN Security Council for a new resolution which would oblige Iraq to pay reparations for its actions in Kuwait, writes Robert Muntimer in New York.

Mrs Thatcher put forward her proposals in talks with US President George Bush on Sunday and the Emir of Kuwait, Sheikh Jaber al-Ahmed al-Sabah, yesterday.

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Financial Times (Scandinavia) Ostergade 44, DK-1000 Copenhagen K, Denmark. Telephone: (33) 13 44 41. Fax: (33) 933132.

Ministers prepare for European security summit

By Robert Maithner, Diplomatic Editor, in New York

FOREIGN ministers from 35 Western and Eastern European countries, the US, the Soviet Union and Canada began a two-day meeting yesterday to lay the foundations of a new European security structure.

The Ministers' task is to prepare the ground for a summit of the 35, due to be held in Paris next month, on condition that an agreement is reached before then in Vienna on conventional force cuts in Europe.

Though not all the obstacles to the so-called CFE agreement have been overcome, Western delegates said that sufficient progress had been made to make it virtually certain that the summit would take place.

Western countries see the future pan-European structure, known as the Conference on Security and Co-operation in Europe (CSCE) principally as a consultative framework for promoting stability in Europe following the end of the cold war.

It will provide a forum where the 35 member states can come together on a regular basis to discuss common problems ranging from security matters to economic issues and human rights.

However, in the eyes of the members of the Western Alliance, the new organisation is not intended to replace Nato as the principal body for ensuring the West's security.

"It cannot offer collective security guarantees, so it must develop in parallel with Nato," British officials said. Nor should it attempt to merge economies like the European Community does, or have regulatory functions.

Western officials also see the new structure as helping to consolidate democracy in the countries of central and eastern Europe which have recently thrown off the Communist yoke, as well as assisting these countries in making

the transition from centrally planned to market economies.

The ministers are expected to draw up a blueprint for the Paris summit under the following broad headings:

• An enhanced programme of consultation between foreign ministers and senior officials meeting once or twice a year, as well as periodic heads of governments meetings.

• The creation of a small permanent secretariat of some 10 to 15 officials, possibly to be located in an Eastern European country, Czechoslovakia.

• The setting up of a parliamentary body enabling members of parliament from the 35 member countries to meet at regular intervals, as they do in Nato.

• An election monitoring process to ensure that elections are held on the basis of democratic principles and procedures.

• The setting up of a conflict prevention centre. The UK has also proposed that a conciliation mechanism for settling disputes between member countries should be set up.

The meeting, which was opened by US President George Bush yesterday, was preceded by a ceremony at which the foreign ministers of the four Second World War allies — the US, Britain, the Soviet Union and France — signed a document suspending their residual rights and responsibilities for Germany and Berlin upon the unification of Germany tomorrow.

These rights and responsibilities will finally lapse once the Treaty on the final settlement on Germany, concluded by the four allies and the two Germans in Moscow on September 12 has been ratified by the respective parliaments.

Collor keeps firm grip on political initiative

Brazil's voters are set to back the president's policies, reports Simon Fisher

THE man who has most at stake in Brazil's elections for state governors, congressmen and senators has been out of the country during the last fortnight of campaigning.

President Fernando Collor de Mello will be flying back from an extensive foreign trip when 84m voters go to the polls tomorrow. He is betting his finely honed media presence will win votes for his supporters, and has kept at a distance from a contest that has overwhelmingly failed to excite the nation.

After many hungry years, Brazilians are in danger of overdoing on democracy: there have been six elections in eight years and another seven elections and one referendum are planned by the end of the decade.

None the less, Mr Collor needs reliable support in the new legislature if his ambitious programme to overhaul the Brazilian state apparatus is to go ahead. But he also has a hidden agenda: this congress will have a mandate to review the 1988 constitution. Mr Collor's administration wants to make an impact on the political level to match the economic bombshell it dropped on taking office last March by introducing its radical economic plan.

The president will not win a clear majority, but opinion polls suggest voters will favour candidates broadly following his policies.

Predictions also suggest the trend which emerged during last year's presidential elections — with increasing support for individual candidates, rather than the parties they represented — will repeat itself.

The weakness of the traditional parties is the most striking political feature



President Collor: needs reliable support in new legislature

in post-military Brazil, with the sole exception of the old Liberal Front Party (PFL). This was discredited after years of docile opposition under the generals, but is set for a resurgence which could secure it the lion's share of state governorships.

Voters seem to be leaning towards candidates with a proven record in government, giving the PFL an unexpected new lease of life.

Mr Collor was an obscure governor who was swept to power on a flimsy party base. Until now he has held together enough of a loose coalition of congressional allies to push through the core of his programme, but his support

is fragile and the government has fallen apart at crucial moments.

Yet after six months in office it is clear Mr Collor has a firm hold on the political initiative in Brazil. His programme has borrowed from both right and left — despite economic shock treatment which has plunged the country into recession, slashed real wages, and so far failed to control inflation — most people appear to accept the need for medicine, even if they criticise the authoritarian manner in which it is administered.

At 41, the country's youngest-ever president is ready to launch a bid to become the grandfather of Brazilian

Cuba seeks custody of fugitive in embassy

GUBA's foreign ministry said yesterday it hoped the Canadian embassy in Havana would hand over an escaped prisoner who sought refuge there last Friday. Reuter reports from Havana.

The ministry said the man, Mr Orlando Patricio Dominguez de la Caba, was serving a 30-year sentence for stealing arms, kidnapping two US tourists and wounding one of them in 1983.

Canadian embassy officials have been trying to check the identity and story of the fugitive prisoner. Police and militiamen were yesterday guarding the mission.

The fugitive prisoner, who has only one arm, escaped to the embassy while being taken to a clinic to be fitted with an artificial limb. The Cuban foreign ministry said his arm was amputated because he had injected himself with oil stolen from a prison workshop in an effort to make himself ill.

In July and August, more than 50 Cubans sought refuge at a number of European embassies and residences in Havana. All eventually surrendered after the government refused permission for them to travel abroad. The authorities said no charges were pending against those asylum-seekers.

Small companies win 'pro-growth' tax deal

By Nancy Duane in Washington

PRESIDENT George Bush's budget negotiators succeeded in winning approval for a "pro-growth" package of tax breaks designed to benefit small and medium-sized companies, even though he abandoned his capital gains tax cut.

The incentives will go to companies with less than \$50m (\$25.5m) in equity, engaged in active business, but which do not manage real estate or finance. Investors in these stocks will be allowed tax deductions on one quarter of the purchase price, up to \$50,000.

Although this provision is expected to cost \$7.5bn in taxes over the next five years, the cut could spur investment in entrepreneurial new technologies and service industries, where capital formation has been a problem. This is a goal, lawmakers in both political parties tend to support.

As an additional lure, investors who buy stock in these companies will not have to pay

taxes on gains deemed to be the result of inflation.

Small and medium-sized companies will receive other tax advantages directly. They will be allowed to count certain investments as expenses and write them off for one year. In 1991 they will also get a 30 per cent credit for research and development.

Mr Stuart Rabinowitz, president of Fiscal Planning Services, in Washington, said while the new tax breaks could open new loopholes, they would help investors.

"The specific language isn't written yet," he said. "If the bill is written clearly it offers the potential for productive investment."

Tax purists complain these breaks mark an about-face in the 1986 Tax Reform Act, which attempted to close loopholes for "special interests". However, the American tradition of using the tax code to encourage social and economic goals has prevailed.

Nicaragua's economic plans prompt protests

By Tim Coome in Managua

NICARAGUA'S powerful National Workers' Front (FNT) began a campaign of civil disobedience yesterday over the government's economic adjustment plans, which are an orthodox mix of deep public spending cuts, privatisations and public utility price rises.

The campaign began with demonstrations, factory occupations, and a call to house-holders not to pay their water and electricity bills.

A left-wing radio station in Managua which had become the mouthpiece of the FNT and the radical tendency of the Sandinista opposition, was turned down on Sunday night, as the government called for calm and urged appeals for international economic aid.

Bursts of automatic rifle fire could be heard in the city's eastern suburbs although no casualties were reported.

The FNT has rejected government calls to discuss the plans, accusing it of being unwilling to negotiate the issues of greatest concern to the unions.

Mr Antonio Lacayo, the minister of the presidency, said at the weekend: "We are in a very difficult situation, possibly one of the most difficult in the world."

He urged the unions to join talks on the proposals. "The dialogue is not to modify the plan, but to discuss how to implement the economic measures while guaranteeing the protection and relief of those sectors most affected by it."

Government officials, however, acknowledge that they lack the resources to give such

guarantees without resorting to printing money — once again fuelling a hyper-inflationary cycle. The problem will be compounded by an expected influx of 70,000 returning refugees between now and December.

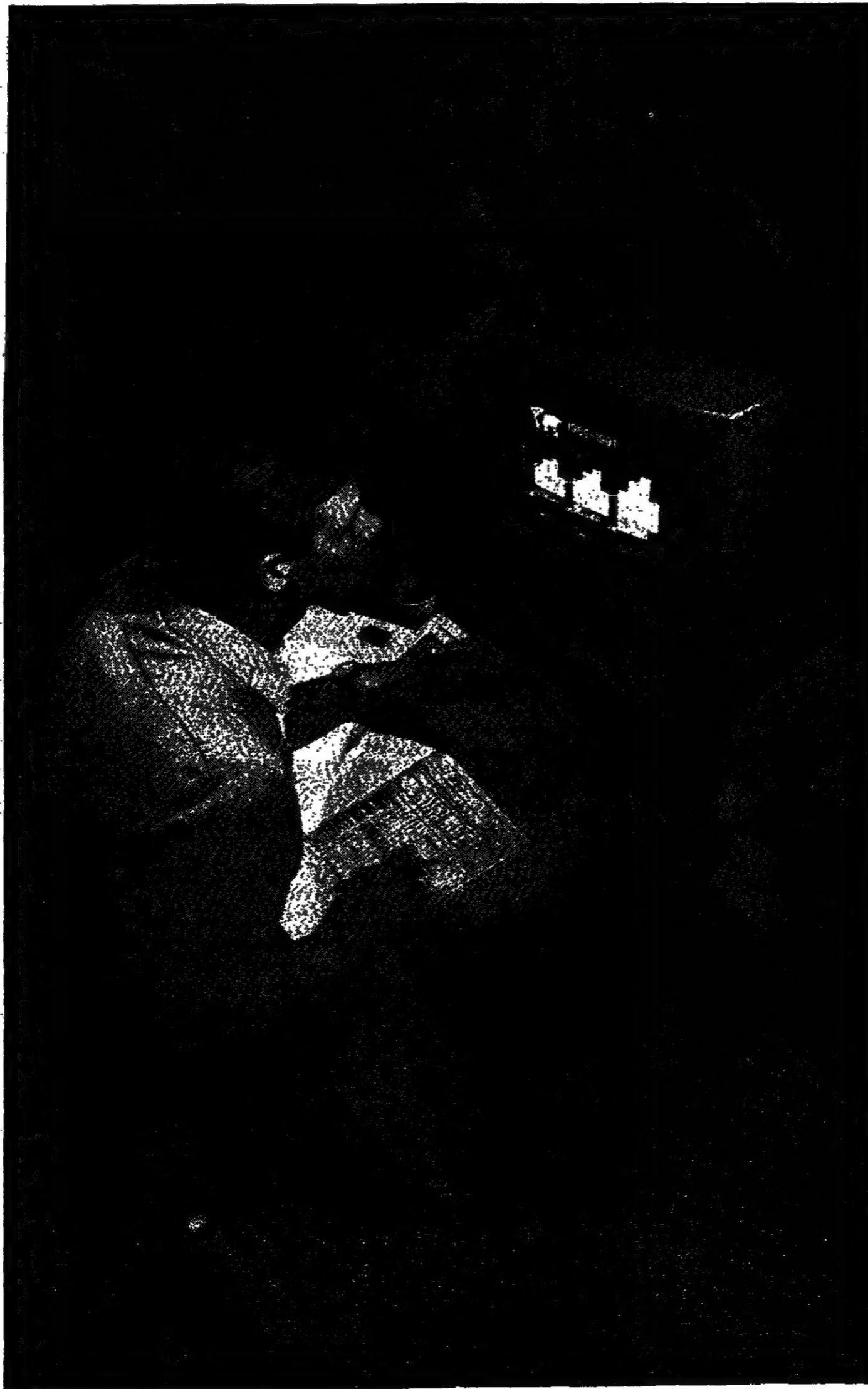
Last week President Violeta Barrios de Chamorro appealed at the UN for international aid in a move aimed at maintaining welfare programmes and creating jobs while pushing through the government's privatisation plan and cutbacks in defence and central government spending.

In July a general strike organised by the FNT against economic policies brought the country to the verge of civil war when armed left and right-wing groups clashed on picket-lines and barricades.

The climate of instability has been heightened by Mrs Chamorro's temporary absence from the country and her refusal to designate powers to Mr Virgilio Godoy, the vice-president, who says he has the constitutional right and duty to exercise presidential powers in Mrs Chamorro's absence.

Intense political rivalry exists between the hard-line Mr Godoy, and the more moderate Mr Lacayo, Mrs Chamorro's senior cabinet minister.

If riots break out during the week as the FNT increases pressure on the government, a constitutional crisis could ensue, with the left-wing army and police siding with Mr Lacayo rather than Mr Godoy.



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WORLD TRADE NEWS

Salomon agrees \$100m Siberian oil joint venture

By Alan Friedman in New York

PHIBRO Energy, the oil trading subsidiary of Salomon Brothers, has agreed a large-scale joint venture oil and gas development project in western Siberia that envisages output of up to 900m barrels of proven recoverable oil reserves over 25 years, starting in the middle of 1991.

The deal is expected to see an initial Phibro investment of more than \$100m and involves a 50-50 partnership in the White Nights joint venture with Varyeganneftegaz, a Soviet state-owned oil producing association based in the western Siberian town of Rudzhny. The plan is for output of around 150,000 barrels per day after five years.

Phibro's partner on the US side of the venture is Anglo-Suisse, a small Texas-based exploration company that originally arranged the Soviet deal and offered it to Phibro.

Although well-known US companies have other Soviet oil deals in the works, Phibro says the White Nights venture is the first actual oil production project between American companies and Soviet producing organisations in the oil-

rich western Siberian basin.

Phibro will have majority control of the US side of the joint venture and has bought a 10 per cent stake in Anglo-Suisse, with an option to increase the shareholding to 30 per cent over the next year.

The US partners will contribute capital and technological know-how for the eventual drilling of about 550 new horizontal wells in the project area and the recompletion of 100 shut-in wells.

Phibro and Anglo-Suisse, a Houston company that is essentially a deal finder, will arrange to subcontract the drilling. The Soviets and Americans will share equally the total drilling costs over the next 25 years, which could amount to more than \$1bn.

The two fields in western Siberia were discovered in 1976 and 1987 but the Siberian oil production authorities have lacked technology and capital to develop the basin. Phibro Energy, which claims to be the world's largest crude oil trader, is also the fourth biggest US refiner, with daily capacity of 330,000 barrels.

Soviet bank wins rare \$20m credit

By Peter Montagnon, World Trade Editor

MORGAN GRENFELL has arranged a rare \$20m (£11m) credit for the Soviet Bank for Foreign Economic Affairs which is to be used to finance the import of IBM personal computers.

The bulk of the 6½-year credit is backed by the Export Credits Guarantee Department, although it also contains a \$3m tranche on purely commercial terms which carries a margin of 1½ per cent over London Euro-dollar rates.

The size of the margin indicates how market conditions have stiffened against the Soviet Union since last year when it was able to borrow at a premium of just ¼ per cent over money market rates.

However, bankers caution that even the high rate for this deal may not be typical as the loan involves a lucrative export credit tranche and the funds are being provided by just two banks - Morgan Grenfell and Midland.

Syndicating larger deals has become difficult, not only because of the Soviet Union's well-publicised economic problems but also because banking appetite for international business has dwindled in the wake of the Gulf crisis.

UK battleground for EC credit insurers

Peter Montagnon considers the impact of liberalisation of mass risk business

THE UK is emerging as the principal battleground for expansion-minded credit insurance companies following liberalisation of mass risk business under a European Community directive that came into force in July.

Brokers say that both NCM, the Dutch credit insurance agency, and Hermes of West Germany have begun actively seeking new British company customers in both the domestic and export credit insurance market.

But traditional British credit insurers such as Trade Indemnity, the private sector company which dominates the domestic credit insurance market, have as yet shown little additional interest in taking on fresh business on the Continent, says Mr Nigel Rovington of the Credit Insurance Association brokerage house.

Industry executives say it had long been expected that the UK market would be one of the first to be hit by increased competition as a result of liberalisation. Not only is the corporate financial information, which underwriters need to assess credit risk, readily available in Britain. The UK also has a well developed brokerage industry which makes it easier for new entrants to sell their products.

By contrast brokers are less active on the Continent,

playing virtually no role in the West German market. Though specialist brokers are active in the French credit insurance market, most have strong ties to French credit insurance agencies which makes them reluctant to push foreign products. Italy meanwhile has yet to implement the insurance directive, though it says it will do so by the end of the year.

With the exception of specialist niche players such as Pan Financial Insurance, established players in the national European markets. In this category are both Trade Indemnity and the Export Credits Guarantee Department (ECGD) of the UK, whose room for international manoeuvre will in any case remain limited until its short-term insurance division is privatised next year.

Brokers say that the activities of Hermes and NCM mean that both these concerns now have to focus on defending their home market as well as plan their expansion into Europe. The main thrust of the European attack currently appears, however, to be on the Trade Indemnity's domestic credit business. Mr Colin Foxall, ECGD Director in charge of short-term commercial risk insurance, says the continental agencies have not taken any business away from his department yet.

Some in the industry also expect competition to emerge soon from a new alliance forged between Coface, the French official export credit agency, and Société Française d'Assurance Credit (SFAC) which operates in the local domestic credit market. Coface has long been known to be directly eyeing the British market, and now the two agencies have formed a joint venture, known as a *groupement d'intérêt économique* under French law, which plans to offer

which concentrates on offering limited catastrophe and insolvency cover, it is thus still difficult for outside credit insurers to gain a foothold in the European market.

Pan Financial has had an office in Paris since 1987 and is in the process of establishing a presence in Frankfurt.

Traditional credit insurers, who need to offer a more comprehensive service to cover their information technology and data-base overheads, face a much tougher struggle. They must compete head-on with

Europe-wide credit insurance. Though there is no evidence of this French venture yet having an impact on the British market, UK insurers are already becoming wary. "At least, they have the vehicle," says Ms Bridget Spreckley of Trade Indemnity.

Mr Christopher Price of brokers Sedgwick James notes, meanwhile, that both Hermes and NCM still retain a degree of caution, despite their higher profile in the UK.

So far there has been no general rate cutting war in Britain

The economic downturn has made them selective about what risks they are willing to underwrite. Though they are offering commercial risk insurance on exports to industrial countries, they are also steering clear of insuring payments risk in developing countries, leaving this up to ECGD. The result is that their reinforced presence on the UK market has not yet led to a general rate cutting war. In fact the deteriorating economic climate is tending to push rates higher for domestic credit

insurance. "Selectively by trade sector we are selectively pushing rates up," says Trade Indemnity's Ms Spreckley. In some cases, brokers say these premium increases may offer an opportunity to pick up business that has become less attractive to Trade Indemnity because the companies concerned have established a record of submitting claims.

Another, and potentially more serious possible impact of increased competition, however, may eventually be a polarisation of rates with premiums for better risks being cut as the new foreign competition seeks to cream the best business off the top of the market. That would make it harder for the British firms to maintain a balanced and profitable portfolio of risk on their books.

For Trade Indemnity, however, there is a smaller question in the possible impact of increased competition. It has already stated publicly that it is in the market to buy the short term insurance operations of ECGD in next year's privatisation. In some parts of the British industry there is a view that it could acquire an effective monopoly in both the export and domestic credit insurance sectors. Now it can at least rebut such criticism by pointing to the growing competition from abroad.

Leading developing countries urge UN world trade body

By William Duffice in Geneva

FIFTEEN leading developing countries have suggested the establishment of a "comprehensive International Trade Organisation (ITO)" within the United Nations system.

The proposal, voiced after a meeting of foreign ministers in New York last Friday, is a response to suggestions by Canada and other industrial nations that the General Agreement on Tariffs and Trade (GATT) should be converted into a fully-fledged multilateral trading organisation at the end of the Uruguay Round trade negotiations.

The developing countries have revived an idea abandoned in 1948, when the US Congress refused to accept the establishment of an ITO governing world trade alongside the International Monetary Fund and the World Bank. Even after 40 years of existence GATT is formally no more than a provisional compact run by a secretariat hired by a moribund interim committee.

Industrial nations, including the European Community, have been discussing how the ambitious results hoped for in the Uruguay Round, such as liberalisation of trade in agriculture and services, could be incorporated into a new institutional structure.

In a statement issued by Mr Reinaldo Figueredo, Venezuela's foreign minister, the 15 developing countries said the proposed regime could "legitimise a system of managed trade" rather than promote full liberalisation.

Instead, they suggested, advantage should be taken of the improved climate in international relations and the strengthened support for the UN to discuss establishment of an ITO. The matter could be taken up at the current session of the UN General Assembly.

The 15 nations are Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jamaica, Malaysia, Mexico, Nigeria, Peru, Senegal, Venezuela, Yugoslavia and Zimbabwe. They include countries whose backing for the results of the Round is particularly important for the industrial nations.

Mr Figueredo also listed the objectives the 15 had agreed to pursue during the final stages of the Round. They included:

- Substantial concessions on market access issues that would expand opportunities for developing countries' exports.
- An agreement on safeguards (the protective measures governments can take under GATT against sudden surges of imports) that would exclude all possibility of discriminatory action; this would be complemented by rules for anti-dumping and countervailing action that would "eliminate the scope for harassing" developing countries' exports.
- A multilateral framework for trade in services that would help to enhance the international competitiveness of service companies in the Third World.
- Agreement on intellectual property rights that would facilitate developing countries' access to technology and their pursuance of social objectives.
- World farm trade reforms that would provide developing countries with improved access to markets, acknowledge the developmental role of agriculture in their economies and mitigate any negative impacts on net-food importing countries.
- Agreement on the phasing out of the Multi-Fibre Arrangement and the re-integration of trade in textiles and clothing into GATT rules.
- Rules on foreign investment that recognised the right of developing countries to impose conditions on foreign investors intended to promote development and enhance competition.
- Continued flexibility for developing countries in difficulties with their balance of payments to invoke GATT provisions that allow them to restrict imports.

The 15 said they were ready to negotiate in a constructive spirit and with a sense of urgency. Their ministers in charge of GATT affairs will meet in Geneva on November 1 to "prepare a major contribution" and proposals for moving the Round forward.

GATT panel rules against Thailand

A GATT disputes panel has ruled that Thailand's prohibition on imports of cigarettes from the US violates the provisions of the General Agreement, reports William Duffice.

It recommended that Bangkok amend its Tobacco Act to bring it into conformity with GATT rules. Thailand operates a cigarette monopoly.


However, the panel rejected a US complaint that Thai excise, business and municipal taxes on imported cigarettes were inconsistent with GATT. The taxes complied with GATT's "national treatment" principle under which charges on imported goods must not exceed those applied to corresponding domestic products. The US had complained that, except for one shipment in 1980, the Thai government had allowed no imports of US cigarettes since 1976.

FFr500m hotel for Monaco

CREDIT COMMERCIALE de France (Suisse) is to lead a project for the construction of a five-star, 400-room hotel with a new casino in the principality of Monaco, reports William Duffice from Geneva.

The total cost will be between FFr500m (£51m) and FFr700m according to Mr Claude Le Ber, CCF (Suisse) director.

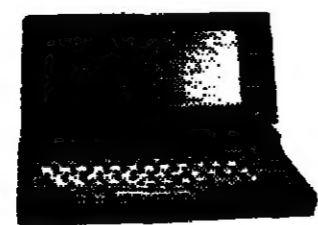
Under a letter of intent signed with the Société des Bains de Mer (SSB), CCF's branch in Geneva will be responsible for arranging the finance. SSB will run the casino. Mr Michel Pinson is to be the architect. The hotel will be adjacent to the celebrated Monte Carlo Sporting Club on the Larvotto peninsula. The project aimed at creating the most attractive and luxurious resort on the Mediterranean coast, Mr Le Ber said.

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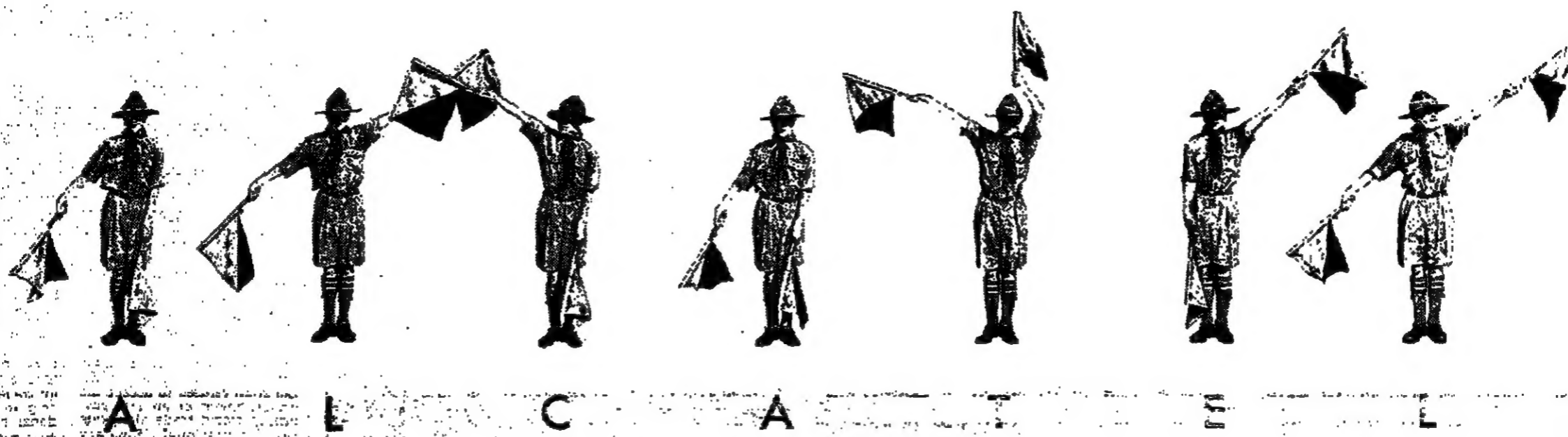
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GERMANY UNITES



From ruin to reunification

THE Second World War laid waste much of Germany, and the ruins of Dresden (far left) illustrate the legacy of conflict inherited by the divided country. By the sixties, however, West Germany had far outstripped its eastern neighbour. Its prosperity proved such a powerful attraction to citizens from the east that the border was sealed by the Communists, preventing all but the lucky from crossing (centre). Almost three decades later, the wall came down — parts of it dismantled personally by a delighted populace.

"GERMANY IS like a fine, vigorous stallion, with fodder and everything it needs. But it lacks however a rider." — Martin Luther.

"Let us put Germany into the saddle. It will be able to ride all right." — Otto von Bismarck.

The new Germany being created on the stroke of midnight tonight will be, like most forms of the German nation throughout history, an amalgam of disparate states. In past centuries the patchwork threaded together by strategy, bribes or tyranny tended to tear under strain. Germany's leaders have either been too strong — or not strong enough.

This time, however, the fabric looks more resistant. It has been the gravitational force of West Germany's prosperous democracy which has pulled in, worn down and ultimately taken over hapless East Germany, not the mechanical power of armies.

The speed has been breathtaking. Less than a year ago — on October 6, 1989 — Mr Erich Honecker, the former East German leader, called in East Berlin's Palace of the Republic against "influential forces in the Federal Republic" aiming a coup against East Germany.

"Socialism on German soil is (for these people) so intolerable," he declared with shrill septuagenarian petulance, "because the previously exploited masses have proved that they can determine their fate with-

STRONGER BONDS WELD GERMANY'S DISPARATE STATES TOGETHER ONCE MORE

Economic strength proves irresistible

By David Marsh

Twelve months later, Mr Honecker is languishing in a Soviet military hospital. The wall he built in 1961 has all but disappeared, washed away by a wave of D-Marks. The Soviet army will be leaving by 1994. And the concrete-and-glass Palace of the Republic, built on the site of the Hohenzollern kings' Berlin residence, has been closed down, probably permanently, by an asbestos scare. As Chancellor Helmut Kohl put it a few months ago: "For a long period, East Germany appeared as a monolith. But it was a house of cards; and it simply fell down."

The resurgent German nation has 75m people (of whom around 5m are foreigners), made up of 63m from West Germany and 16m from East. The population gap with France (56m), Britain (57m) and Italy (58m) will widen significantly, but not alarmingly. Germany's share of European Community population goes up from 19 to 23 per cent. The country's formal name remains Federal Republic of Germany, but

KEY DATES IN GERMAN HISTORY

- Sept 1862: Bismarck becomes Minister-President of Prussia
- May 1871: Alsace-Lorraine handed to Prussia after Franco-Prussian War
- Sept 1914: First World War starts
- June 1919: Treaty of Versailles - Germany loses territory to France, Poland and Baltic States
- Jan 1933: Hitler comes to power
- March 1938: Annexation of Austria
- Aug 1939: Soviet-German non-aggression pact
- Sept 1 1939: German troops invade Poland
- Sept 3 1939: Britain and France declare war on Germany
- June 1941: Germany invades Soviet Union
- May 1945: Nazi Germany capitulates
- July 1945: Potsdam conference divides Germany into four occupation zones
- June 1948: Soviet blockade of Berlin, following western currency reforms, leads to allied airlift
- May 1949: Basic Law established for three western zones
- Sept 1949: Federal Republic established
- Oct 1949: East Germany established
- Aug 1961: Berlin Wall goes up
- Aug 1989: East German exodus begins
- Nov 1989: Wall is breached
- March 1990: Free elections in East Germany
- July 1990: Monetary union between East and West
- Sept 1990: Two Germanys and four wartime allies sign treaty

Increasingly it will be called simply Deutschland.

Its area rises by around 45 per cent, to 135,000 square miles. West Germany was less than half the geographical size of France; the new Germany will be two-thirds the size of its western neighbour — and

nearly half as big again as the territory of the United Kingdom. (The Soviet Union, though, is 80 times larger.)

In military terms, a unified Germany will be weaker. Its army is to be cut to 370,000 men over the next five years, compared with the pre-

ent strength of 450,000 of the West German armed forces, the Bundeswehr. Most of East Germany's National People's Army will be dissolved, although the West Germans will now have the chance of taking over the most efficient weapons and equipment.

Economically, West Germany was already western Europe's dominant power, with 25 per cent of EC gross national product. Germany's percentage share of EC gross national product will now rise to about 28 per cent.

Whatever the medium-term prospects for East German recovery, the new Germany, initially, will be poorer than West Germany. Living standards and productivity in the East are less than half those in the West. East German GNP will fall by at least 10 per cent both this year and next, in an inevitably brutal adjustment. The combined German GNP growth rate will be no more than 2.5 per cent next year, even assuming that growth remains at around the current 3.5-4 per cent in the West.

Germany will become more polarised, and at least to start with, more worried. A poll published last month by the Allensbach opinion research institute suggests that 54 per cent of the East German workforce fear losing their jobs in the next six months. In the weeks following the introduction of the D-Mark on July 1, 68 per cent of East Germans said they were "anxious" about developments in East Germany.

A major question mark is whether German federalism will continue its four decades of success (stated), all involved in the political decision-making process, rises from 11 to 16 (including Berlin, now a proper city-state again). Many Germans, as well as some foreign observers, believe that the guiding principles of federalism would be damaged irreparably if Berlin were to become the fully-fledged capital.

Some anti-Berlin campaigners, including those who generally admire German democracy, admit to misgivings about whether a con-

tinued Germany would be politically stable in the long term. According to Mr Luigi Vittorio Ferraris, former Italian ambassador to Bonn: "If we are going to run a new Germany from Berlin, we will start a new continuity with 1945."

Mr Ferraris, who has become a prominent campaigner within Germany for the government to remain on the Rhine, says: "We all love Germany. Conditions are different, the young people are different (compared with the Third Reich). But German society has the possibility of running astray. It will not run astray tomorrow or even the day after tomorrow. Therefore, we should try to contain this kind of ideas from the beginning."

Mr Kohl and Mr Hans-Dietrich Genscher, the Foreign Minister, have not shrunk from facing up to foreign mistrust of German might. The united Germany will carry greater weight. With it we shall not strive for greater power but will be conscious of the greater responsibility," Mr Genscher proclaimed at the United Nations last week.

Overshadowing tomorrow's unity celebrations is the Gulf crisis. As the relics of the last war in Europe are finally laid to rest, another threat in the Middle East. Preoccupied with its internal challenges, Germany may have to live up to its new international responsibilities more quickly than it would like.

GOVERNMENT AND FOREIGN RELATIONS

East Germany's wheels of state grind to final halt

By Leslie Collin in East Berlin

EAST GERMANY'S absorption into the Federal Republic means that all its government ministries and state bodies will cease to exist, along with the legal foundations of the state and its agreements with foreign countries.

Diplomatic relations with more than 120 countries are terminated, only 18 years after East Germany won political recognition from West Germany and was able to establish ties with other western countries.

The aluminium-clad Foreign Ministry on Marx-Engels Platz will be temporarily occupied by Mr Franz Berente, former head of the West German Permanent Mission in East Berlin.

who is to wind down the technical machinery of East German diplomacy. West Germany refuses to take on any of the old Communist diplomats but is interested in using some former East German consulates in Poland and other east European countries.

North Korea and Kampuchea, with whom West Germany has no ties, leave former embassies in East Berlin, and Bonn has decided that these two countries should now be represented by third parties.

The embassies of foreign countries in East Berlin, most of whose ambassadors have already left, become either consulates or branches of Bonn-based embassies, as is the case

with the three western Allies. Britain, France and the US also still retain the valuable sites of their pre-war legations close to the Brandenburg Gate. These could be used for new embassies if Berlin becomes the seat of government.

East Germany relinquished membership of the United Nations and formally withdrew from the Warsaw Pact in a remarkable ceremony in East Berlin late last month. It was attended by the East German Minister of Disarmament and Defence and the Soviet Supreme Commander of the Warsaw Pact armies and his generals, who looked far from pleased at the departure of

their former ally. West Germany has promised to assume East Berlin's obligations within Comecon, but the organisation is not expected to survive long as eastern Europe seeks to model itself on western economies and the Soviet Union sets out to establish a market-based economy.

Unlike the 52,000 employees of East Germany's postal system, railways, and border police, most of whom will keep their jobs, few of the nearly 27,000 employees in ministries and state institutions in East Berlin will be taken on by the West German Government. In future, the five *Länder* of former East Germany will be administered by career civil

servants as in West Germany. Most East German police and firefighters, who will be employed by the *Länder*, will keep their jobs. The armed forces (*Volksarmee*) have been purged of most senior officers and reduced in size from 170,000 to 30,000 troops. These are being integrated into the Bundeswehr under a West German commander who will reside in Greater Berlin.

Senior officials of the politicised judicial system have been, or will be, retired, but many judges have undergone examining courses in West German civil and criminal law to allow them to mete out justice according to the West German legal system.

Although the former East Germany is taking over West German civil, criminal and administrative law, it will retain its more liberal law on abortions and on property (mainly to protect tenants on leased land) for a transitional period.

The West German judicial authorities will take over the investigations into accusations of corruption and distortions of justice against Mr Erich Honecker, the ailing former East German leader, and other political members. But there is no indication that they will be more anxious to take legal action than the East German judicial officials, who failed to prosecute.

BUSINESS PROSPECTS

Weighing the risks and opportunities

By Andrew Fisher in Frankfurt

A YEAR AGO, East Germany might as well have been on a different planet for all its existence meant to most foreign businessmen. Only the most president or foolhardy would have prophesied that the borders would be thrown open last November and Germany speedily united.

Now, executives are having to take notice. For many westerners, the decision to become involved in a market which used to be virtually off-limits is tricky. Unification will certainly help by removing legal uncertainties. But the problems, physical and psychological, caused by decades of division will not be solved by the stroke of the unifying pen.

There are plenty of opportunities and risks for anyone moving into East Germany. Says Mr Martin Astling, Frankfurt partner of PricewaterhouseCoopers, "October 3 doesn't sort out everything that needs to be put right on the ground."

A state-run country in which inefficiencies were rife and output took precedence over quality, consumers' needs and the environment is now being painfully transformed into a free market economy. "It's a new ball game," adds Mr Astling. "Sixteen million people have got to readjust themselves. It will take a time."

So what do foreign managers need to know about the new Germany, whether they have begun to get involved or are still spectators? Here are some pointers:

● **Property.** This has been a bugbear for potential investors, concerned about former own-

ers turning up and demanding their property. It has now been laid down that compensation will be paid by the state; companies will not have to worry about giving back assets in which they have just invested. But confusion remains at local authority level about what they own or can sell state assets.

● **Incentives.** The 12 per cent investment grant decided for East Germany will remain; this falls to 8 per cent after mid-1991. Also available will be regional subsidies and incentives, bringing the total package to 23 per cent in some cases, partly taxable. Commercial tax rates, set locally, will be lower than West Germany's.

● **Cartel Office.** West German competition law will apply in the whole country, administered by the Federal Cartel Office. Some deals, notably in energy and air transport, have already prompted cartel scrutiny; others, for example in banking and insurance, have gone through despite concern about the competition aspects.

● **Chambers of commerce.** These play an important role in West Germany in training apprentices, helping local authorities with development plans, and advising on foreign trade. The system is being extended eastwards.

● **Treuhand.** This East German privatisation agency will decide the future of nearly 8,000 former state companies. Investors wanting to buy into them will have to negotiate with this body, which is keen for foreign, as well as German, investment. However, it has its own organisational problems. Investors may need patience.

VIEW FROM THE OTHER SIDE OF THE FENCE

Deep-seated worries qualify approval of friends and former foes

GERMANY'S NEIGHBOURS, allies and erstwhile enemies are all ambivalent in their attitude towards unification. Its break-neck speed has taken everybody by surprise, and adapting to the new reality has been difficult. In virtually every case, public approval of unification has been tempered by deeply-rooted anxieties about a resurgent Germany.

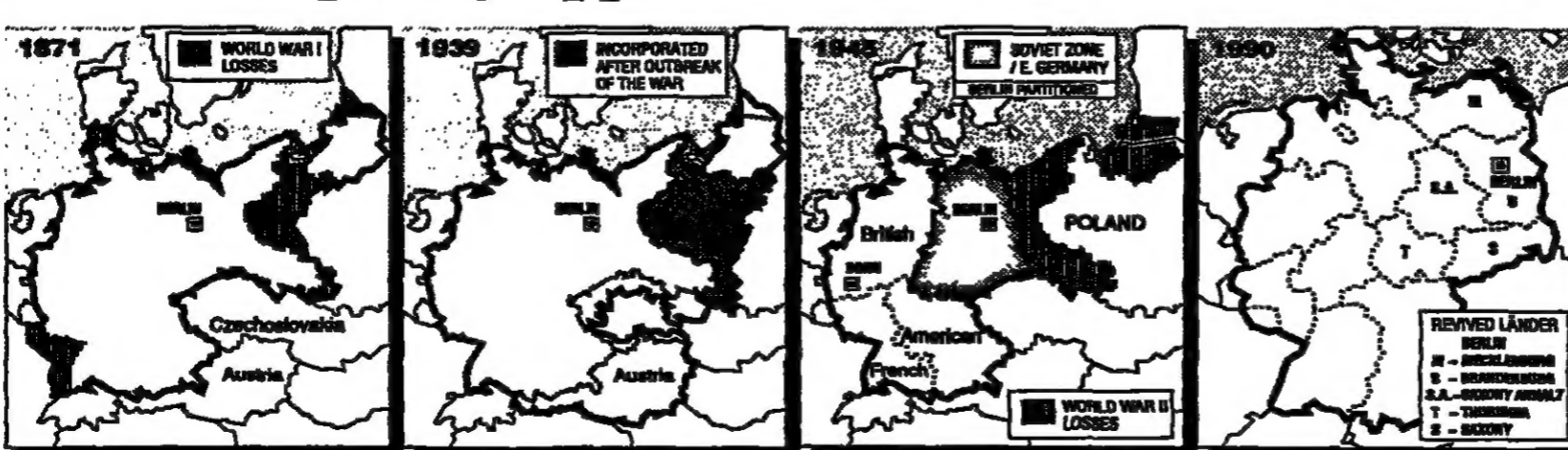
That has not prevented the Soviet Union's official position from being transformed in less than six months: from profound scepticism, through grudging acceptance to something almost approaching enthusiasm.

The doubts remain, above all in the military and in the popular perception of many who believed a divided Germany was the only real insurance against repetition of the slaughter of the "Great Patriotic War."

Memories of the war, and the loss of 20m lives, have remained far more vivid in the Soviet Union than in the territory of any other major combatant. Yet the domestic problems of the Soviet Union today loom so large that fears about Germany have been thrust into the background.

That is the key to the Soviet change of heart. On the diplomatic level, however, the vital moment was Nato's London summit in June, when the allies proposed a joint peace declaration with the Warsaw Pact and a fundamental re-examination of their basic military strategy.

This left the way open for Moscow to accept German membership in Nato, the hardest element of all to stomach. Today, the Soviet authorities have persuaded themselves that unification can prove a real blessing: an economically powerful, united Germany, grateful to the USSR for its



change of heart, is seen as the best possible intermediary for the Soviet opening to the west. In France, opinion polls show that German unification has high popular support. But other indicators suggest that the prospect is regarded with mixed feelings on both political and economic grounds.

One reason is that for many years French attention has been focused obsessively on the relationship with Germany. Since 1963, the Franco-German partnership has been a cornerstone of foreign policy and it has also become an increasingly important intermediary mechanism for French policy towards the European Community.

Yet the historic enmity which gave rise to the partnership is by no means dead in some quarters. The government's response to the prospect of German unification has been to redouble its pressure for European integration. Before the tearing down of the Berlin Wall, France was already the most fervent advocate of European Economic and Monetary Union. After

German unification became inevitable, President Francois Mitterrand marched Chancellor Helmut Kohl into new and even more sweeping commitments, including European political union.

Of all countries, Britain is widely perceived to be the most reluctant about German unification. The charge is perhaps not entirely justified. The warnings issued by Mrs Margaret Thatcher were no different in essence from those voiced, albeit more discreetly, in other countries.

It was the forthright and sometimes undiplomatic manner in which the Prime Minister, not to speak of her former Industry Secretary, Mr Nicholas Ridley, expressed their concerns that caused the offence.

More perhaps than the threat posed by the economic might of the new Germany, it was the security implications of unification that most worried the British government.

Once the Second World War allies and the two Germanys had agreed on the so-called "2 plus 4" process to discuss the external aspects of German

unification, Britain's attitude towards the whole problem became much more amenable. What is also equally evident is that the government, and Mrs Thatcher in particular, do not share the official French conviction that "depending" of European integration is the best way of anchoring the new Germany to the West. Paradoxically, given her initial views about Germany, the Prime Minister continues to favour a looser and enlarged confederation of nation states, within which Germany, like its partners, would have greater room for national manoeuvre.

Poland, where memories of the Second World War run as deep as anywhere, fears that Germany might again attempt to grab its western territories remain strong, has also changed its attitude somewhat towards German unification during the last few months.

The Poles will not be fully reassured until a unified Germany has signed a treaty guaranteeing Poland's western frontier, as both German governments have solemnly promised. However, the Poles no

longer see two economic giants uniting, but rather a strong West Germany being saddled with a feeble relative which will monopolise its attention and energies for years to come.

One advantage Poland sees in unification is that it has gained a frontier with the West and that trade with Germany is bound to develop rapidly. Residents of East Germany are already flocking across the frontier to Poland to shop for cheaper goods with their newly-acquired D-Marks and the hope is that Berlin and other East German cities will provide a market for Polish farm produce.

Another bonus is that Soviet troops will leave East Germany and probably Poland too. The fears about unification are therefore balanced by the prospect of greater national freedom for Poland and the surrounding region.

On Germany's western frontier, unification has provoked surprisingly little resistance in the Netherlands. In spite of the lingering and deep resentment of five years of German occupation during the Second

World War — which some claim was reflected in the ferocity with which the two countries' soccer fans clashed during the World Cup this year — the Dutch appear generally to support German unification.

People born after the war have the fewest qualms, as might be expected. An opinion poll last February found that only 6 per cent of people aged 18-25 expressed strong reservations and 17 per cent moderate reservations about unification. Yet even in the 55-65 age group, only 15 per cent were strongly opposed.

Opposition to unification has also been softened by expectations of economic benefits. West Germany is already the Netherlands' biggest trading partner and unification is expected to be a boon for Dutch exporters of both industrial equipment and agricultural produce.

Reports by Christopher Bobinski in Warsaw, Ian Davidson in Paris, Robert Mather in London, Quentin Peel in Moscow and Ronald van der Krol in Amsterdam

Germany and its neighbours

Turning points during 100 years, in the words of six Chancellors

"In the case of an unsuccessful war, we should have the same French against us when we meet from 1807 to 1813, and who would again suck our blood so that we should be paralysed for 50 years." — Otto von Bismarck, 1857.

"The German people cannot be turned into economic slaves of other countries for 20, 40 or 50 years. The terrible misfortune of the war for the whole of Europe can only be compensated if the International community now joins hands." — Friedrich Ebert, 1919.

"The theme of our economic struggle must be: the German people must live by exporting, or die. I assure international doubters: The German people will not die, by no means, but will live." — Adolf Hitler, 1939.

"A country's unconditional surrender does not give the victors the right to keep it occupied for ever." — Konrad Adenauer, 1950.

"We ought not to overlook the fact that, in the eyes of others, the German division is today part of the European balance of power that secures peace in Europe." — Helmut Schmidt, 1979.

"A glance at the map shows that everything which changes here has effects on our neighbours. There is no sense in not recognising that many are watching us with anxiety as we go on our way, and some with fear. But from fear no good can come." — Helmut Kohl, 1989.

Daimler-Benz plans DM2bn investment in E Germany

By David Goodhart in Bonn

Daimler-Benz is planning to invest DM2bn (\$600m) to DM5bn in East Germany over the next two to three years, according to Mr. Edgar Reher, chairman of the company's East German subsidiary, Daimler-Benz AG.

Following in the footsteps of Volkswagen which has already announced an investment of DM5bn in East Germany, Daimler-Benz is planning to invest in East Germany remains rather patchy, according to a poll of 500 of West Germany's largest companies. The poll found that only 3 per cent of companies are currently producing in East Germany, but 16 per cent are investing and a further 31 per cent intend to start investing before the end of next year.

The leading sector is construction, with 30 per cent of building companies with actual or imminent investment plans, followed by 15 per cent of manufacturing companies and 11 per cent of retail companies.

The most important single block to investment remains uncertainty about property ownership or simple lack of suitable sites, according to 20 per cent of respondents. Fourteen per cent quoted poor infrastructure and 13 per cent uncertainty over land prices and wages costs as disincentives.

The primary motive for investment in East Germany was proximity to new East German customers, and a bridgehead into eastern Europe; only 2 per cent of companies said their dominant motive was re-acquiring old production sites.

Some commentators attribute continuing hesitation to the belief that investment subsidies from Bonn will steadily improve over the next few months, and that businessmen are therefore not rushing in until they do.

Investment grants already have risen from 12 per cent to a maximum of 35 per cent. Also the Economics Ministry and the Liberal Free Democrats are pressing hard for a waiving of corporate tax in East Germany, at least for a transitional period, although the Finance Ministry is still resisting the idea.

Mr. Wolf Schöde, spokesman for the Treuhand, the body charged with privatising East German industry, complained that the continuing squabbling

between the Economics and Finance Ministry in Bonn was hindering the investment climate.

He also reported that 100 of the Treuhand's nearly 8,000 companies have now been privatised, and that 500 to 600 further sales are currently being negotiated.

At the end of October the Treuhand is expecting to receive 3,000 company survival plans, but Mr. Schöde warned that a large number of bankruptcies would have to be announced before the end of the year.

He said that what is lacking in East Germany companies is not so much cash for new investment but the human capital to manage that new investment. He believes there is also still a serious lack of interest from manufacturing concerns ready to produce in East Germany.

The Treuhand itself is trying to build up its staff from the current 700 to about 1,000, but is finding it difficult to recruit people for the middle-ranking jobs. The current emphasis is on building up the regional offices.

West Germans sign Soviet gas contract

WINTERSHALL, the West German gas subsidiary of the BASF chemical group, has signed a deal with the Soviet Union to supply natural gas to East Germany and western Europe, in what is described as the biggest participation so far by a Soviet concern in a western project, Andrew Fisher writes from Frankfurt.

The German company said it had agreed with Zarubezhgaz, the gas trading company of the Soviet Gazprom group, on the marketing of gas from the Soviet Union, as well as the building and operation of new pipelines and distribution networks. Gas would also be sold in West Germany and western Europe. No financial details

were given for the deal. The first pipeline link, costing around DM40m (£13.5m), will be between Sayda in Czechoslovakia and Vitzrode in East Germany. Around 30 cubic metres of gas a year will initially be involved in the deal, roughly equivalent to the volume used by East Germany in recent years.

Greek PM takes over the economy portfolio

By Karin Hope in Athens

MR. Constantinos Mitsotakis, the Greek prime minister, yesterday took over the economy portfolio and appointed a new deputy economy minister to oversee a three-year austerity programme now under preparation.

Mr. Mitsotakis, who is taking three months off for medical treatment but is not expected to return to the cabinet.

Mr. Christodoulou, a European Parliament member, was deputy foreign minister for European Community affairs. A former state bank governor, he is expected to consult closely with European Commission officials on reducing Greece's huge public sector deficit, estimated this year at \$10bn (£5.5bn).

Mr. Mitsotakis's decision to

take on the economy portfolio reflects a determination to introduce long overdue structural reforms, despite strong reaction from the Socialist-controlled trade unions and opposition within his own conservative New Democracy party.

Legislation modernising the pension system was passed on Friday. Bank employees, power workers and rubbish collectors immediately called off a three-week strike, but pledged renewed opposition to further reforms.

The new austerity plan, due to take effect from January, will include strict measures to curb a 25 per cent inflation rate and increase revenues by reducing tax evasion and broadening the tax base.

In further cabinet changes, Mr. Charis Papoulias, the Greek ambassador in London, becomes deputy foreign minister. In addition, Mr. Mitsotakis has appointed his daughter, Mrs. Dora Bakoyianni, as under-secretary to the prime minister's office, a junior cabinet post intended to make the administration more efficient.

Swedes told to end pay deadlock

By Robert Taylor in Stockholm

THE government-appointed wage conciliator in Sweden yesterday called on employers and trade unions to negotiate a national pay agreement for 1991 as soon as possible, as the economy moves rapidly into a severe cost crisis.

Both sides have been given until October 25 to respond to the conciliator's conclusions, which recommend pay increases of next to nothing next year.

The latest economic forecasts from Sweden's leading banks suggest price rises of 5 per cent in 1991, zero growth or worse, a balance of payments deficit over 4 per cent of the country's gross domestic product, no visible trade surplus and a large drop in industrial investment.

The conciliator's report shows Sweden's inflation in 1991 will be running higher than much of the rest of the western world, with a strong growth in costs. The gloomy forecast also suggests the employment rate will rise sharply.

Serbs proclaim autonomy in Croatia

By Laura Silber in Belgrade

THE Yugoslav state presidency called an emergency state session yesterday, after leaders of the Serbian minority in the republic of Croatia proclaimed autonomy following armed clashes between police and Serb militants over the week end.

The Serbian National Council, a self-proclaimed parliament in the Croatian town of Knin, said yesterday that the call for autonomy was based on a plebiscite held in more than 20 municipalities over the past two months, in which Serbs overwhelmingly voted for autonomy in Yugoslavia's second biggest republic.

The 500,000-strong Serbian minority represents about 11 per cent of Croatia's 4.5m population. Croatia's Serbs demand autonomy and even secession if Croatia wins more independence within the Yugoslav federation.

The Croat authorities said the Serb unrest was caused by police actions to seize arms from local nationalist groups and Serbian police reservists.



Milosevic is accused by Croatia of stirring up racial hatred

Serbs erected barricades yesterday in several predominantly Serbian towns and stopped rail traffic in defiance of Croat moves to confiscate weapons. A policeman and a civilian were wounded in gun battles during the weekend.

Ethnic tensions have mounted among Serbs and Croats since the Croatian Democratic Union, a right-wing nationalist

party, ousted the ruling Communists last April in the first free elections in Croatia. Serbs accuse the Croat government of fascism - comparing them to the Ustashe, the Nazi-backed Croats during the Second World War.

Mr. Milan Babic, president of the Serbian national council and the mayor of Knin, yesterday called on Serbs "to resist the terror of the Ustashe with all means."

Croat authorities have accused Serbia and Mr. Slobodan Milosevic, the President of Serbian republic, of having "stirred up ethnic hatred in Croatia."

The ruling Socialist (formerly Communist) party of Serbia has supported the Serbian nationalist groups in Croatia.

The Serbian presidency yesterday cast doubts on the Yugoslav state presidency's ability to resolve the crisis.

The Serbian authorities have demanded that the state presidency "defends Serbs from repression in Croatia."

Jaruzelski clears way for elections

POLAND'S President Wojciech Jaruzelski yesterday signed legislation cutting short his presidency after just over a year in office and setting up elections to replace him, Reuters reports from Warsaw.

The legislation is expected to enable Gen. Jaruzelski's successor to take over before Christmas. The first round of polling is expected to take place on November 25, with the second two weeks later if no candidate wins 50 per cent.

Soviet council bans N-tests

Regional authorities in the Soviet republic of Kazakhstan have banned nuclear testing at the country's main range at Semipalatinsk, Tass said yesterday. Reuters reports from Moscow.

The Semipalatinsk regional council cited concern for public health and the area's future. Kazakhstan's parliament voted last November to urge Moscow to stop test blasts at the range, in the republic's north-west.

Protest in Kiev

An estimated 50,000 Ukrainian nationalists yesterday demonstrated in Kiev, denouncing the Communist Party and urging rejection of a new union treaty in a second straight day of peaceful protest, AP reports from Moscow. Police observed the demonstration but made no attempt to interfere.

Bulgarian upset

Bulgaria's main opposition party has won the country's first by-election since the general election last June, amid signs of eroding support for the ruling Socialists, Reuters reports from Vellingrad.

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Spain becomes object lesson in failure to attract visitors

Peter Bruce on the crisis facing the Costa del Sol

MR PEDRO Turpanit, president of the Costa del Sol hotel association, has been much in demand recently. Recently a group of Italian MPs trooped through his huge Don Pablo hotel near the beach.

"They want to know how we are dealing with our tourism crisis," he says. There is no comfort in becoming this sort of object lesson but Spain's tourist industry and hoteliers are in trouble. People have stopped coming.

Costa del Sol bookings are down 15 per cent on the year so far and 25 per cent down on 1988. Compared to 1988, nearly 3 per cent fewer people have come to Spain this year. That figure is likely to look a lot worse when final figures are totted up. Tourist income will fall 10 per cent.

Spain's biggest industry accounts for 9 per cent of gross domestic product and an expected fall of up to 7 per cent in dollar income is partly behind fears that the deficit on the current account of the balance of payments could rise more than 70 per cent to some \$10bn (£5.5bn) this year. With the government still insisting there is no crisis, hoteliers accuse the authorities of ignoring them and of publishing false visitor statistics.

Mr Turpanit notes wryly that "even if the government says there is no crisis there is either an oversupply of beds or an under-supply of customers." He fears 30 hotels on the Costa may close or come close to it this year. Hoteliers all along the Mediterranean coast complain that people are staying away because the peninsula is overvalued and that Madrid is also failing to make the infrastructural investments neces-



sary to make coming to Spain pleasant. Spanish governments have traditionally regarded the country's sun and sea as eternal and unalterable assets.

But high interest rates, designed to cool down the economy, have strengthened the currency nearly 30 per cent against sterling in three years, hitting the pockets of Spain's biggest package market, Britain.

It is not all economics. Spain's beaches are badly polluted. Coastal developers are still laying down pipes to pump raw sewage into waters it would take an average swimmer a few minutes to reach. Torremolinos, the biggest resort on the Costa del Sol, is to get its first sewage filter plant only next year.

The coast and countryside is heavily littered with building rubble and garbage. "It hurts when they say Europe begins at the Pyrenees but in fact," says Mr José García Sánchez, owner of a small hotel south of Granada.

"I'm happy this has happened. It's like a sick person who finally goes to the doctor. This has been coming for a long time."

News that Thompson, the UK tour operator, is increasing its Spanish prices by 10 per

cent next year, "means fewer people will come," says Mr Turpanit. "But this is a crisis of hotels, not visitors," he adds.

Foreign home ownership along the coast is still high, though prices are also sinking as people try to escape overdevelopment, noise and, in some cases, exploitative local taxes. But homeowners do not spend the money that hotel guests do and the industry grows with despair at government designs to attract "quality" tourists - more golfers and hopefully more people to taste the abundant cultural wealth in the interior.

"It's absurd," mutters one industry official, "the government should promote the country by taking into account its realities. Seventy-five per cent of the people that come here want to go to the beach," says Mr García.

Spain, insists Mr Turpanit, "is not a high quality product." The government is loathe to intervene too heavily in the industry, although it has promised to cut VAT at four star hotels if they freeze prices next year.

Tourism has transformed the coastal economy and local political leaders, mainly members of the governing Socialist party, recoil at imposing more expensive hygiene or quality controls on their ratepayers.

Tourism's best hope now is that the economic downturn in Spain following the Gulf crisis will concentrate the national mind. But if the past is any guide, the industry will do what most Spanish exporters and foreign exchange earners do in a crisis - wait for the currency to weaken - and then carry on as usual.

INTERNATIONAL NEWS

Nigeria and IMF agree SDR375m standby debt deal

By Tony Hawkins and Michael Holman

A NEW SDR375m (£274.5m) standby agreement between Nigeria and the International Monetary Fund will go to the IMF board for approval next month, Abaji Abubakar Alhaji, the Nigerian finance minister, and Abaji Abdulkarim Ahmed, the central bank governor, said yesterday.

The new 15-month facility, replacing the previous loan which lapsed in April, is essential to the success of debt rescheduling talks with the London Club of commercial bank creditors and the Paris Club of government creditors. Nigeria's total external debt is \$34bn (£18bn).

The officials were speaking after a signing ceremony in London for two new aid agreements with Britain, releasing \$25m to support Nigeria's structural adjustment programme, of which \$20m is tied to the purchase of British goods and services. The new agents will be responsible for procurement. It is the first tranche of a \$60m grant which the UK pledged at a consultative group meeting for Nigeria in November 1989.

Britain's willingness to sign the deal yesterday was seen by both Nigerian and UK officials as evidence that relations had not been seriously undermined by Whitehall's decision last month to cancel a planned visit to Lagos by Mrs Lynda Chalker, the minister of overseas development.

The cancellation was in protest against the execution of soldiers accused of participating in the abortive coup against President Ibrahim Babangida in April.

The British government had also complained that Nigeria had not been sufficiently forceful in its condemnation of the Iraqi invasion of Kuwait - a charge Lagos has since vigorously denied.

Strong domestic opposition to taking loans from the Fund meant that Nigeria did not

Supreme Court halts Delhi's jobs reservation move

By K.K. Sharma in New Delhi

INDIA'S Supreme Court yesterday stayed "further implementation" of the cabinet's decision to reserve 27 per cent of government jobs for lower castes, permitting it only to continue identifying the castes.

The judicial order, passed on a petition by the Bar Association because of the growing caste violence in the country, is binding on the Mr V.P. Singh, India's Prime Minister.

The order is expected to end the widespread caste violence in New Delhi and north Indian states which has led to several suicides by students and heavy damage to buses, trains and government property.

The agitation by students was sparked off by a controversial government notification on August 7 on the reservations decision. Thousands have been demonstrating in New Delhi, where schools and colleges have been closed for more than a month, and states such as Haryana, Uttar Pradesh, Rajasthan and Madhya Pradesh.

Although the government opposed the petition when it was heard by the Supreme Court yesterday, it is now effectively justified in suspending work on the decision to reserve jobs for lower castes.

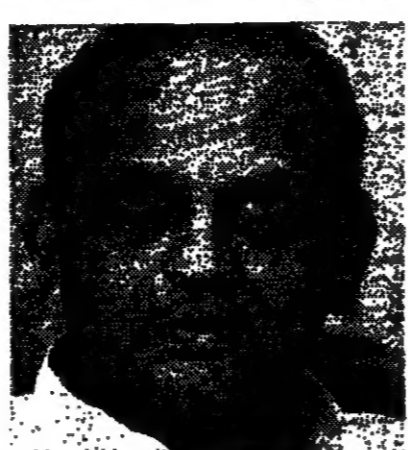
Mr Singh has also been under severe attack from his detractors in the ruling Janata Dal for the manner in which the students' agitation has been handled. Following the

V.P. Singh regrets his missed opportunity

David Housego examines the Indian government's battle against Sikh separatists

IN PUNJAB, where the Indian government has been fighting a Sikh separatist movement for almost 10 years, violence has become part of the routine of life.

Police vehicles bristling with automatic weapons tour the streets of Amritsar - now a shabby, run-down city demoralised by continuing conflict - making themselves as familiar a feature of the urban landscape as the taxis belching black smoke or the auto-rickshaws.



V.P. Singh: a stark choice

At Surin, a large village close to the Pakistan border, three terrorists silently observe foreign journalists talking to a family in the courtyard of their house. "When the boys come here I willingly serve them food," says Mr Surinder Singh, the head of the family, as he casts towards the militants beside him a look that expresses both fear and support.

Last month alone a staggering total of 600 people were killed in terrorist-related violence in the Punjab, according to western embassies in New Delhi which keep a close watch on the situation because of the international terrorist implications. Police in Amritsar put the figure at the much lower 280, which would nonetheless be more than double that of August 1989 and would reflect the same deteriorating pattern.

But unlike Kashmir, where deserted streets and daily curfews point to a whole population united in its hostility to the government in Delhi, the towns and villages of the Punjab are a patchwork of fear and defiance. Police claim that 85 per cent of the violence takes place at night.

The number of killings has dramatically increased because the terrorists now have more automatic weapons and use more powerful explosive devices and because the police themselves have gone on the offensive. But the nature of the violence has also changed. Five

years ago most of the killings were politically motivated. Increasingly now militancy provides a cover for other crimes - bank robberies, kidnapping, extortion, smuggling, drug trafficking, vendettas between Jat farmers and gang warlords in a province where unemployment remains high and where the courts have failed to convict any terrorists for the past eight years.

Mr Simraj Singh Mann, the Akali Dal (Sikh) leader with the most support, who was himself elected to the National Assembly last year while being detained in prison, says that two-thirds of the violence is due to local gangs and police stooges. Mr Sanjiv Gupta, senior superintendent of police in Amritsar, claims that 80 per cent of the violence is now criminal. Both sides agree that there is only one really disciplined and ideologically motivated militant Sikh guerrilla group - the Babbar Khalsa.

Talking to reporters this week, Prime Minister V.P. Singh conceded that he had let slip the chance of a fresh beginning to finding a political solution in the Punjab that was provided by a new administration coming to power in Delhi in November. "One thing I will regret all my life," he said "is of not holding elections [for the state assembly in the Punjab] within six months [of the government taking office]."

He is now faced with a stark choice in a deteriorating situation of violence and soured relations between the Sikhs and the central government. Either he has to extend into a fourth year direct rule from Delhi by amending the constitution - thus continuing to stifle the expression of opinion in the province - or he has to hold state assembly elections. The latter option carries the risk that the militants will intimidate voters into electing an assembly that will proclaim Khalistan, or a separate Sikh state, in the Punjab.

Bill fails on extending direct rule in Punjab

By K.K. Sharma

A BILL to extend President's rule - direct administration by New Delhi - in the north-west Indian state of Punjab fell through in the Lok Sabha, or lower house, yesterday when it failed to get the required majority.

Unless the bill to amend the constitution is revived by waiving a rule prohibiting its consideration again in the same session, elections must be held in Punjab before the current spell of President's rule there ends on November 10.

The failure of the bill puts the government in difficulty since law and order has deteriorated sharply in Punjab in the past few months. All parties, including the Opposition Congress party, agree fair elections are not possible in the state.

Punjab has been under President's rule since 1987 because of special amendments of the constitution which permit this to be imposed on any state for a maximum period of a year. President's rule was clamped on Punjab following the failure of the state government to check violence by Sikh militants seeking independence.

The latest constitution amendment bill fell through because Mr Rajiv Gandhi's Congress party abstained from voting on it even though its members were present in the House.

A constitutional amendment bill requires a majority of at least half the membership of the House and two-thirds of those present and voting. The Lok Sabha has an effective strength of 524 members and when the voting took place, the bill got only 249 votes in its favour which is much less than half the membership of the house. Angry exchanges between the Treasury and Opposition members took place after the voting and the Congress was accused of "duplicity" for abstaining.

Before the session Congress had agreed to "co-operate" to have the bill passed even though Mr Gandhi had criticised Mr V.P. Singh, India's Prime Minister, for failing to formulate a policy to deal for Punjab.

Mr Gandhi maintained after the voting that it was the responsibility of the government to ensure at least a simple majority in the house.

A Moscow windfall for Israel

By Hugh Carnegie in Jerusalem

THE SPEED with which relations between Israel and the Soviet Union are warming up after being almost frozen for 20 years - underlined by the announcement on Sunday of a restoration of full consular ties - is a welcome diplomatic windfall for Israel which carries a number of valuable benefits.

The way rapprochement with Moscow has gathered pace has been a welcome respite for Israel from the danger posed by the Gulf crisis. In the last few weeks, three cabinet ministers have been in Moscow, two to visit President Mikhail Gorbachev. Late last week, the Israeli transport minister said he had been informed by Moscow that direct flights between the two countries would be resumed shortly.

Officials said yesterday they did not think a restoration of full diplomatic relations, severed by Moscow after the 1967 Six-Day War, was imminent. But they added that it is a welcome diplomatic windfall for Israel which carries a number of valuable benefits.

The way rapprochement with Moscow has gathered pace has been a welcome respite for Israel from the danger posed by the Gulf crisis. In the last few weeks, three cabinet ministers have been in Moscow, two to visit President Mikhail Gorbachev. Late last week, the Israeli transport minister said he had been informed by Moscow that direct flights between the two countries would be resumed shortly.

way towards an unprecedented joint venture, with US backing, to make cargo airplanes. Perhaps more important, however, is the political spin-off in the Middle East. The shattering of Soviet links to Iraq is a matter of deep satisfaction in Israel, as is a less dramatic but still significant weakening of Moscow's support for Syria. Both countries are deeply hostile to Israel.

Meanwhile, there has been a noticeable softening of the previous Soviet insistence on an international conference to solve the Palestinian and other Arab-Israeli conflicts, something rejected by Israel as bound to be biased against it. So far Israel feels it has had easily the best of the bargain over Arab countries of Mr Gorbachev's reforms.

Roh foresees Korean turning point

By John Ridding in Seoul

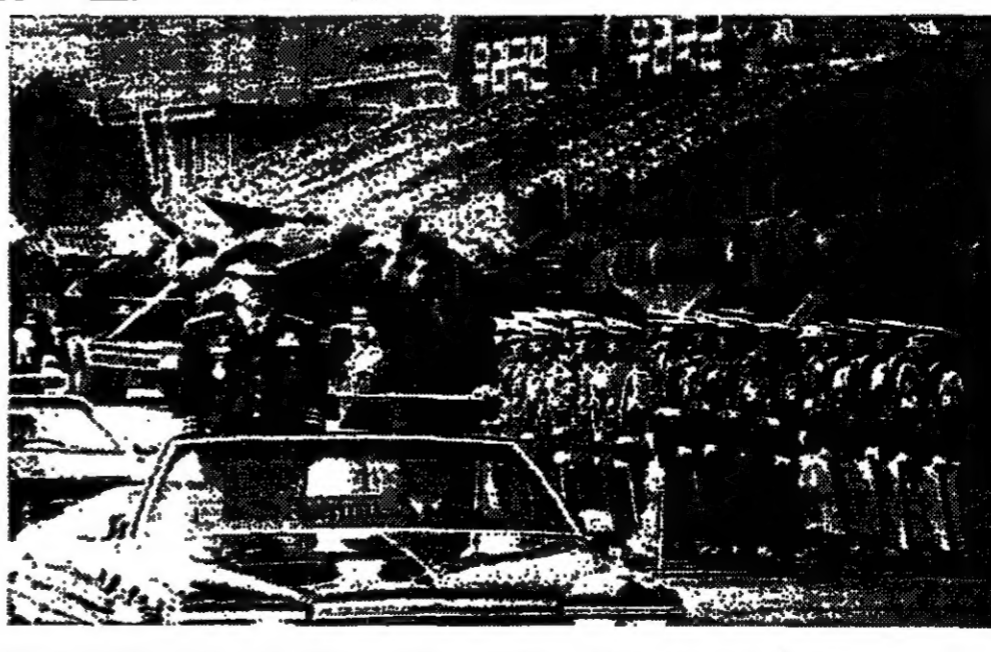
MR Roh Tae Woo, South Korea's president, said yesterday that diplomatic ties with the Soviet Union would encourage reunification of the Korean peninsula by spurring changes which North Korea would be unable to resist.

"No longer having powerful supporters to fall back on, the North will not be able to adhere to its policy of 'consolidating the South'," Mr Roh said. "Inter-Korean relations are thus approaching a major turning point."

Mr Roh's speech, at a ceremony to mark the country's armed forces day, followed the signing on Sunday of an agreement to establish full diplomatic relations with the Soviet Union from January 1, 1991.

After signing the agreement in New York Mr Choi Ho Joong, the South Korean foreign minister, and Mr Edward Steverance, his Soviet counterpart, said "the two sides are convinced that the step will contribute to enhancing stability and to a peaceful settlement on the Korean peninsula."

The announcement of diplomatic ties marks the culmination of South Korea's policy of Nordpolitik - the improvement of relations with socialist countries in an attempt to reduce tensions on the Korean peninsula and to press North Korea into a more accommodating stance. South Korea now has diplomatic relations with all east European countries except Albania.



President Roh Tae Woo waves to troops at an armed forces day parade yesterday

also coincides with a series of other significant diplomatic initiatives in North East Asia. Last week the highest-level Japanese delegation ever to visit North Korea came to an agreement to establish diplomatic ties as soon as possible.

South Korea's response to the improvement in relations between Tokyo and Pyongyang has been cool. A spokesman for the foreign ministry said that

Seoul was in favour of improved ties between Japan and North Korea but sought clarification concerning the agreements reached by the Japanese delegation.

In his speech yesterday Mr Roh said that "clearly the North has reached the dead-end of its isolationist policy." But he warned that a firm security posture was still an "absolute necessity."

rise in international oil prices will ultimately have a substantial impact on South Korea's economy. Oil represents 54 per cent of the country's energy requirements and all of it is imported.

In September the rise in consumer prices was largely the result of higher agricultural prices caused by severe floods which hit South Korea at the beginning of the month. According to the EPB, most prices have increased by 25 per cent so far this year, while vegetable prices have risen by about 15 per cent.

US may lift aid and trade curbs on Vietnamese

By Paul Taylor, Asia Business Correspondent, in Bangkok

THE weekend meeting between Mr James Baker, the US Secretary of State, and Mr Nguyen Co Thach, Vietnam's Foreign Minister, in New York has increased speculation in Bangkok that the US-supported worldwide trade and aid embargo against Vietnam could be lifted soon.

Both sides have described the meeting - the highest level contact between the two nations since the end of the Vietnam war 15 years ago - as constructive.

The US recently resumed direct contacts with Vietnam as part of its revised Cambodian policy unveiled in July and US officials have since held three meetings with the Vietnamese representatives at the United Nations culminating in the Baker-Thach meeting on Saturday.

Vietnam is keen to see the US embargo lifted since this would pave the way for a resumption of International Monetary Fund lending and much needed aid from the World Bank and individual nations.

The importance of a resumption of IMF lending to Vietnam, a nation of 65m mostly impoverished people, is underlined in a report published by Smith New Court, the securities firm. The report's author, Mr Chris Sherwood, argues that Vietnam is attempting a "capitalist-style reform programme" to overcome "its economic policy disaster". "Vietnam has achieved much in the past 16 months with little external assistance," the report said, "but its immediate goal now is to secure a resumption of IMF lending. This would pave the way for other multilateral assistance, and for aid from other countries such as France, Italy and others."

While the Smith New Court report entitled "Vietnam: Asia's Next Dragon" is broadly optimistic about the country's potential, it also warns that Vietnam's future is remains finely balanced and that "its best hope of success lies with returning overseas Vietnamese with the foreign experience and local knowledge to build new businesses back home."

In terms of foreign investment potential Smith New Court is also cautiously optimistic noting that interest is growing, particularly in tourism, food and raw materials sectors.

Much of this investment, if it materialises, is likely to come from Vietnam's regional neighbours, Thailand, Singapore and Hong Kong.

China's PM hints at closer ties with Hanoi

By Peter Ellingsen in Peking

LI PENG, the Chinese prime minister, has used his National Day speech to signal Peking's willingness to normalise relations with Hanoi. Before the party's ruling hierarchy and a gathering of foreign dignitaries in the Great Hall of the People, Li made it clear China wanted closer ties with Vietnam.

Talking of rapprochement with a resolution of the Cambodian conflict, Li said: "Along with such [a Cambodian] settlement, China is ready gradually to improve its relations with Vietnam."

The comments, on the 41st anniversary of China's 1949 revolution, follow secret talks last month between a Vietnamese delegation led by party chief Nguyen Van Lich and Chinese officials, and a breakthrough visit to Peking by Gen Vo Nguyen Giap, Vietnam's deputy prime minister.

Gen Giap, the highest ranking Hanoi official to visit China since the two fought a brief war in 1979, said during his time was "ripe" for normalisation. Li's remarks made it clear such a restoration was linked to Hanoi's willingness to press its allies in Phnom Penh for a end to the impasse in Cambodia.

"We hope Vietnam and the Phnom Penh regime will show sincerity by taking positive steps toward political settlement of the Cambodian question," he said.

Li said Peking was "pleased" about a recent agreement by all sides in the conflict to form a Supreme National Council to govern Cambodia, while a ceasefire is put in place and free elections held. Describing the developments as "significant progress", Li said Peking wanted an "early, fair, reasonable and comprehensive political settlement" in Cambodia, based on the UN blueprint.

Sitting beside Li at Sunday night's reception was Prince Norodom Sihanouk, head of Cambodia's non-communist resistance, and the man China wants to see installed as chairman of the Supreme National Council. China has supported the resistance groups, while Vietnam has backed the Phnom Penh government of Premier Hun Sen.

Li also used his National Day speech to reiterate a call for reunification with Taiwan. "It is our hope that those in power in Taiwan will set store by the long-term interests of our country and nation," he said.

PRICE RISES PUSH SOUTH KOREAN INFLATION RATE TO 9%

SOUTH KOREA'S consumer price index rose by 0.5 per cent in September, pushing annual inflation to 9 per cent for the first three quarters of 1990, according to the Economic Planning Board, John Ridding writes from Seoul.

Officials at the EPB expressed optimism that annual consumer price inflation could still be kept to the government's target of 8 per cent, but they expected the annual rate to reach about 12 per cent, the highest increase since 1981. Inflation, along with the poor

performance of South Korea's export industries, is the government's principal economic concern.

Its original target of a 5-7 per cent rise in consumer prices has already been passed and the impact of higher oil prices remains to be absorbed.

The government's decision to freeze oil prices until the end of the year means that, so far, the rise in international oil prices has had only a limited effect on Korean prices.

But analysts forecast that any sustained

rise in international oil prices will ultimately have a substantial impact on South Korea's economy. Oil represents 54 per cent of the country's energy requirements and all of it is imported.

In September the rise in consumer prices was largely the result of higher agricultural prices caused by severe floods which hit South Korea at the beginning of the month. According to the EPB, most prices have increased by 25 per cent so far this year, while vegetable prices have risen by about 15 per cent.

Li denies thinking shares were a reward

By John Elliott in Hong Kong

MR RONALD LI, the former chairman of Hong Kong's stock exchange, who is on trial on corruption charges, yesterday denied that he thought he was receiving any "reward" when he was given preferential allocations of 500,000 shares in Cathay Pacific Airways in 1986 and 200,000 shares in Novell Enterprises in 1987.

Giving evidence at the start of the fifth week of the continuing trial, Mr Li was answering a series of key questions from his defence counsel, Mr John Lloyd-Evley QC, which were designed to undermine the prosecution's central case that he thought the shares were issued as a "reward".

"Certainly there was nothing I deliberately withheld from

doing, nor did I do anything particular, to win any reward," Mr Li told the court. He spoke Cantonese which was translated by an interpreter.

He said there was "no connection whatsoever" between the approval given to the Cathay listing on April 10 1986 by the exchange's listing committee, of which he was also chairman, and a phone call he made on April 17 to Wardley, one of Cathay's banking advisers, asking for shares.

The Cathay share purchases, for which he paid the issue price of approximately HK\$20 (£137,200), had been a "private transaction". He had bought through nominees for convenience, not to conceal the purchase.

Philippines gets tough over budget deficit

By Greg Hutchinson in Manila

THE Philippines is to abandon elements of a fiscal reform programme inspired by the International Monetary Fund, Mr Jesus Estanislao, the finance secretary, has said. He said that the country's budget deficit was a "serious problem" and that the government was "not going to continue to live on credit".

He told reporters at the central bank that the move was part of a government effort to reduce the country's ballooning public sector deficit. He said that without a change in fiscal fact, the Philippines was heading for a gap of about P600 billion (P1,500m), instead of the P300 billion targeted - a figure already exceeded by P500 billion.

The public deficit covers the government, central bank and 14 state corporations.

Among revenue-generating

measures being considered are an import surcharge of about 8 per cent for a transitional period until legislation is passed, and taxes on the rich.

The finance minister also hoped the Philippines would qualify for concessional international loans intended to ease the debt burden of the most heavily indebted countries.

Under categories previously set by leading foreign creditors such as the IMF, the Philippines would be considered as belonging to the "richer" heavily indebted countries, Mr Estanislao said.

However, the oil price shock would put the Philippines among recently categorised nine "most immediately impacted countries" deserving more concessional loans.

Pakistan army chief sees plot

General Mirza Aslam Beg, Pakistan's powerful army chief, yesterday announced the discovery of a plot aimed at creating lawlessness in Pakistan, particularly in the province of Sindh, to disrupt planned elections for October 24, Farhan Bokhari writes from Lahore.

This was his second public statement in three days since he blamed foreigners on Saturday for providing training and resources to saboteurs operating in Pakistan.

Gen Beg reportedly told Justice Naseemuddin, Pakistan's chief election commissioner, in Karachi that the army would ensure that the elections would be held as planned.

Hopes raised for UK businessman in Iran

THE agreement to restore diplomatic relations between Britain and Iran within the next month has raised hopes about the fate of Mr Roger Cooper, the British businessman imprisoned in Tehran since 1985, Kamran Fazel in Tehran and Robert Graham in London report.

Last week's accord in New York between Mr Douglas Hurd, the British Foreign Secretary, and Mr Ali Akbar Velayati, his Iranian opposite number, made no specific reference to the Cooper case.

But Britain has always insisted his continued imprisonment on unspecified allegations of spying was a barrier to normal relations and yesterday a prominent Iranian hinted Mr Cooper might benefit from a presidential pardon.

Mr Irfan Fariz, the executive editor of Tehran Times, regarded as the unofficial voice of Iran's Foreign Ministry, told the Financial Times: "Mr Cooper's case has nothing to do with politics as we stated in our editorial (of September 20); it's a judicial matter."

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COMPANY NOTICES

THE COLNE VALLEY WATER COMPANY

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held at the principal office of the Company, Blackwell House (the Assembly and Amendment Centre), Alderman Road, Watford, Hertfordshire, WD2 2EY on 16th October, 1990 at 12.00 noon for the purpose of considering and, if thought fit, passing the following resolution:

RESOLUTION

THAT the Company be requested to the provisions of the Companies Act 1985 (the "Act") as a public company limited by shares, within the meaning of the Act, with the name The Colne Valley Water Company Plc.

1st October 1990

Principal Office,
Blackwell House,
Alderman Road,
Watford, Hertfordshire
WD2 2EY

By Order of the Board
J.A. Russell
Secretary

NOTES

1. Holders of 7% (formerly 10%) "A" Ordinary Stock, 7% (formerly 10%) "C" Ordinary Stock, 4.9% (formerly 7%) Ordinary Stock, 2.5% (formerly 5%) Ordinary Stock and 2.5% (formerly 4%) Consolidated Preference Stock are entitled to attend (or be represented by proxy) and vote at the meeting. Holders of Redeemable Preference Stock are entitled to attend but not vote at the meeting. Holders of Debenture Stock are not entitled to attend or vote at the meeting.

2. Holders of Voting Stock are entitled to one vote for every £50 nominal of such stock, with a maximum of 25 votes. A Voting Shareholder holding in excess of £1,250 nominal of Voting Stock who wishes to avoid his voting rights being so limited may do so by transmitting proof of his registered holding into the name(s) of one or more nominees and by ensuring that such stock holding is registered in time for the nominee's vote to be valid.

3. The quorum for the meeting is seven stockholders present in person or by proxy holding in the aggregate not less than £2,000 in the capital of the Company.

4. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him. A proxy for an individual stockholder must also be a member of the Company.

The Company's existing constitution does not permit corporate stockholders to attend and vote at the meeting by appointing a representative, they can do so only by appointing a proxy, who, if not a member of the Company must be a member of the company stockholders.

5. A form of proxy is enclosed herewith at the Resolutionary General Meeting Form of proxy if used (together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified or official copy of such power of attorney) must be lodged with the Secretary of the Company, Blackwell House, Alderman Road, Watford, Hertfordshire, WD2 2EY not less than 48 hours before the first appointed for holding the meeting.



MCI INVITES EVIDENCE ON THE PROPOSED ACQUISITION BY KEMIRA OY OF CERTAIN ASSETS OF IMPERIAL CHEMICAL INDUSTRIES (ICI) PLC

The Monopolies and Mergers Commission have been asked to inquire into the proposed acquisition by Kemira Oy, a state-owned Finnish company, of certain assets of ICI plc used for the production of nitrogenous based fertilisers (both solid and liquid).

The Commission will be studying the possible effects of the proposed acquisition on competition in the United Kingdom market for nitrogenous fertilisers. The Commission would like to hear from any person with information or views on this proposed acquisition.

Evidence, in writing, should be sent by 19 October 1990 to: The Reference Secretary (Kemira / ICI), Monopolies and Mergers Commission, New Court, 46 Carey Street, London WC2A 2JT.

ARCHITECTURE

The Financial Times proposes to publish this survey on:
31st October 1990
For a full editorial synopsis and advertisement details, please contact:
Janica Perry on 071-873 4611
or write to her at:
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INTERNATIONAL NEWS

Exodus dogged by bureaucracy

Julian Ozanne reports on the long trek home for Ethiopian Jews

Clutching tattered bits of paper and legal documents, a line of Ethiopian peasants in flowing white shawls queues outside the wrought iron gates of the tightly-guarded Israeli embassy in Addis Ababa.

Most of them have trekked hundreds of miles to the Ethiopian capital, abandoning their small farms and lives as medieval blacksmiths, weavers and potters for the chance of joining relatives in Israel and fulfilling their religious desire to settle in the "motherland".

There are currently about 12,500 Ethiopian Jews or "Falashas" camped and housed in the crumbling quarters near the Israeli embassy.

Since Israel and Ethiopia re-established diplomatic relations last November, they have been pouring into Addis Ababa - spurred on by the encouragement and dollars handed out by American Jewish organisations - in search of an escape to their spiritual homeland from an Ethiopia increasingly torn apart by famine and civil war.

But their exodus to Israel has been dogged by the cumbersome and officious bureaucracy created by 13 years of rigid Marxism and the Falashas' unique position as a pawn in the geopolitical chess game of the Horn of Africa.

In late June, exit permits granted by the Ethiopian government, which had allowed about 500 Ethiopian Jews to leave each month, were suddenly stopped. Two weeks later President Mengistu Haile Mariam paid a secret visit to Israel. According to senior diplomats in Addis Ababa, he presented a shopping list of military hardware vital in the raging civil war he is fighting against two rebel groups who have struck successfully into government-held territory this year.

President Mengistu's gambit with the Falashas has fuelled further speculation about the diplomatic pact between Israel and Ethiopia.

Towards the end of last year it became increasingly apparent to Mr Mengistu that his traditional sources of military assistance, the Soviet Union and eastern bloc, were going to dry up and that alternative suppliers were vital to sustain black Africa's largest standing army.

When the Israelis were invited back to Ethiopia after a 16-year break, diplomats dubbed the deal "guns for Falashas". But while there have been constant rumours of Israeli military assistance, from the provision of Uzi machine pistols and sophisticated electronic listening equipment to help in procuring Chilean-made cluster bombs, there has been little concrete evidence to support such claims. Both sides have denied the links.

"There is no military assistance. Even if we would have liked to replace the Soviet Union we cannot afford to step into their shoes," said Mr Haim Divon, an Israeli diplomat.

For us the Ethiopian Jewish issue is a basic principle of allowing family reunification. It is non-negotiable. There is no



Thousands of Ethiopian Jews await visas from the Israeli embassy in Addis Ababa

give and take."

For their purposes it suits the Israeli government, under heavy pressure from the powerful and wealthy American Jewish lobby, to make the Falashas the primary object of foreign policy in Ethiopia.

The true historical origins of the Falashas, which means "exile" in Geez, the ancient Ethiopian language, remain obscure. Some historians have claimed they are the direct descendants of Menelik, son of King Solomon and Queen Sheba, and that they followed Menelik from Jerusalem to his mother's homeland, Ethiopia. According to these assertions they are one of the 10 lost tribes of Israel.

Their status as Jews has also been the subject of heated debate. Most Falashas, or Beta Israel (House of Israel) as they prefer to be called, follow a pre-Talmudic form of Judaism, suggesting their origins lie before the fourth century when the Talmud, a body of religious and social law, came into practice. They are also pre-rabbinic, worshipping with priests and they conduct their rituals in Geez and Amharic, not in Hebrew.

But the Beta Israel do observe the Sabbath, Passover, kosher dietary practices, follow the Torah and see themselves as Jews.

In 1975, under the Law of Return, they were granted the right of immigration by the Israeli government. Two years later, a deal was struck with the Ethiopian government to allow members of Beta Israel to emigrate. But in February 1978 Moshe Dayan, then Israel's foreign minister, admitted that Israel was selling arms to the Ethiopian government as part of the deal.

That cut off the flow of Ethiopian Jews getting to Israel, except for the clandestine Operation Moses in 1985 when 12,000 were flown out of refugee camps in Sudan.

That the Falashas only became the focus

of Israeli foreign policy in Ethiopia since the Marxist revolution in 1974, which overthrew the feudal reign of Emperor Haile Selassie, has been taken by many observers as proof that the Ethiopian Jews are only a minor part of a whole range of strategic Israeli interests in the Horn.

Throughout the 1960s and early 1970s Israel supported Haile Selassie with aid and arms to defend their geopolitical interests: maintaining the last non-Arab presence on the Red Sea, supporting Ethiopia in its historic role as a Christian bulwark against the spread of Islam in Africa.

Those Israeli strategic interests are as pressing today as they ever were with an Arab-backed Eritrean Peoples Liberation Front (EPLF) threatening to split Eritrea and the entire Ethiopian Red Sea shoreline from the rest of the country.

But in re-establishing relations with Israel diplomats say Mr Mengistu may have made a serious foreign policy blunder. The flow of arms he expected has not materialised - partly because the US, which supplies most of Israel's arsenal, has made it clear that Jerusalem cannot provide US weapons to Ethiopia.

Furthermore, Israel's presence in Ethiopia has fuelled Arab support of the EPLF by raising the Zionist bogey.

According to several diplomats, Arab deliveries of weapons to the EPLF in January and February were an important factor in the rebel capture of Massawa, a vital Red Sea port.

The suspension of Falasha emigration by Mr Mengistu, which has since eased slightly, was a measure of the regime's desperation and a sign of the precarious position of the Ethiopian Jews now crowded into the capital.

Although Mr Mengistu has very little room to manoeuvre, their fate may depend on whether Israel is prepared to shore up his disintegrating 13-year-old dictatorship.

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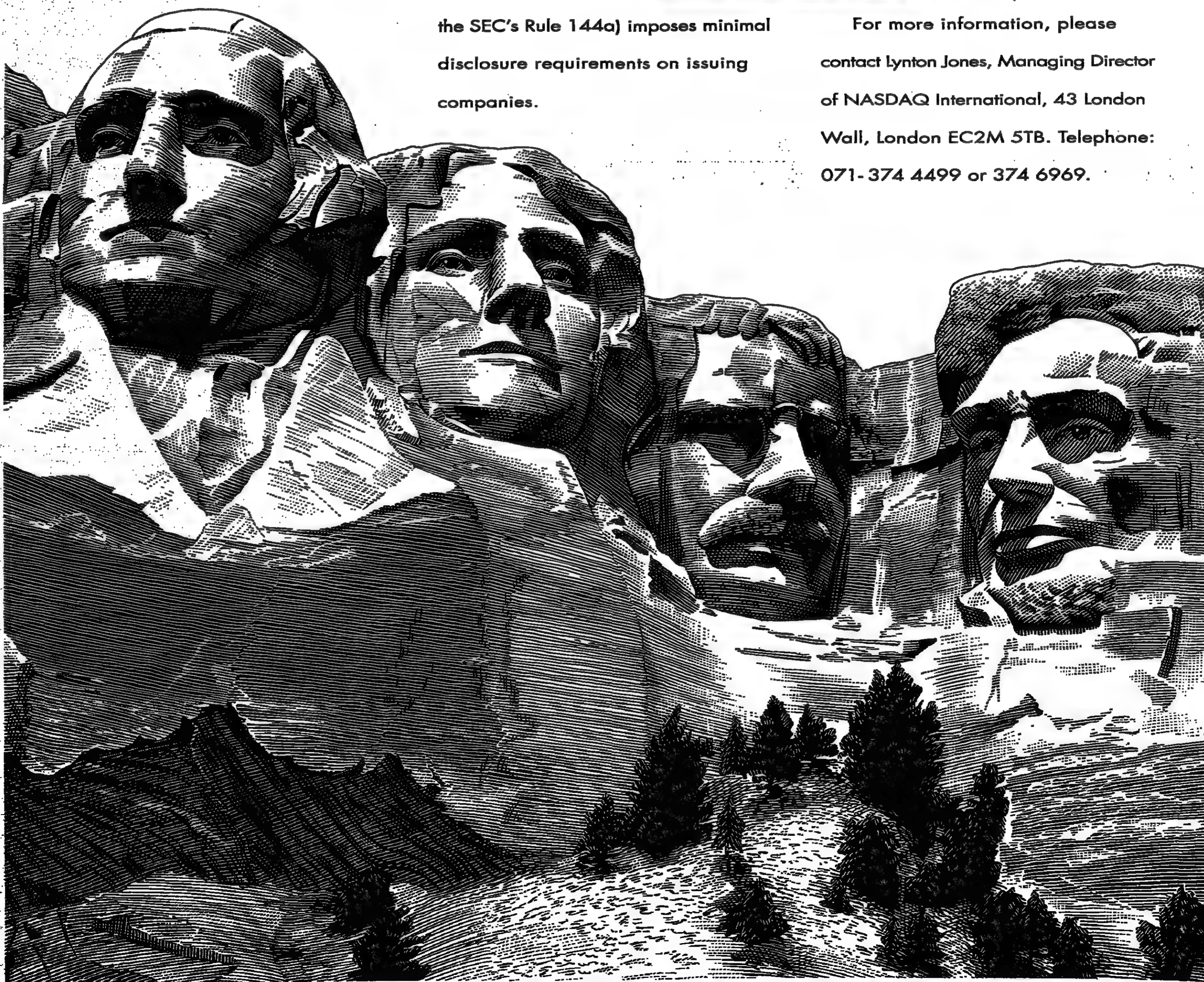
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THE STOCK MARKET FOR THE NEXT 100 YEARS

UK NEWS

INTERNATIONAL STOCK EXCHANGE

Rawlins points to hybrid system

By Richard Waters

THE WAY shares are traded in London is likely to change extensively in the years ahead, Mr Peter Rawlins, chief executive of London's International Stock Exchange, indicated yesterday.

In a wide-ranging discussion, Mr Rawlins questioned much of the Exchange's established orthodoxy of recent years. He suggested, for instance, that the maintenance of a central market for equities - long one of the exchange's main tenets - was not necessary.

"Most major markets in most financial centres have some degree of fragmentation. If that is what customers want, then so be it."

Mr Rawlins was speaking after a council meeting of the Exchange which had considered a progress report on a proposed restructuring of the market's trading systems. The Exchange has yet to decide its final strategy, and any changes are thought to be some way off.

Mr Rawlins, seen as a new broom when he was brought in as chief executive at the start of this year, said he believed that market-making was Lon-



Peter Rawlins

don's biggest strength, and that it would be retained.

He added, though, that other trading systems would exist alongside it, to allow investors to trade in different ways if they preferred.

In particular, this would mean the introduction of some method for capturing, routing and matching investors' orders without passing them through a market-maker.

In such a system, market-makers would rank alongside

investors as participants in the market, using their capital to take up investors' orders as and when they wanted to enter the market.

They would no longer face the obligation to make firm two-way prices at all times - the basic element of the current dealing system.

"There have been changes in the obligations and benefits of being a market-maker," Mr Rawlins said. "The benefits have shrunk. With appropriate alternative arrangements, the responsibilities could also be reduced."

One implication, he said, was that investors would not be guaranteed that they could deal at all times. He added: "People think they will always be able to find a counterparty. That is not the case."

The exchange should educate people on this point, he said. Mr Rawlins' comments point towards a hybrid dealing system, and represent a move away from what he called the "conflicting theologies" of those who believe that quote-driven and order-driven dealing systems are incompatible.

He said it would be for investors to decide the extent to which they used market-makers, and were prepared to pay the market-makers a return for the capital they were committing to the market, rather than simply using an order-matching system.

Companies will be charged a fee to discourage them from making frequent checks of who owns their shares, once the UK's paperless settlement system comes into operation.

This emerged yesterday as the International Stock Exchange published a list of prices expected to apply when the settlement system, known as Taurus, starts to come into operation in October 1991.

The Exchange said that its overall charges would be among the lowest in the world. However, they are based on the assumption that stock market activity, at some 30,000 bargains a day, will be around twice its current level.

If the volume of business remains low, the Exchange will be forced to increase prices sharply to cover the overheads of running the system.

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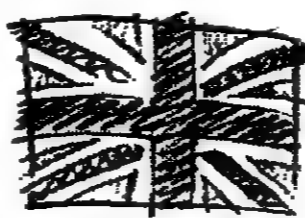
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BRITAIN IN BRIEF



Shootings prompt new Ulster call

Nationalist politicians in Northern Ireland called for the withdrawal of the Parachute Regiment from West Belfast after two teenagers were shot dead by soldiers when they drove through an army checkpoint.

The Army declined to comment on the circumstances of the shooting which is being investigated by the Royal Ulster Constabulary.

Members of the Parachute Regiment opened fire, killing a 17-year-old boy and an 18-year-old girl, after their stolen car drove through the roadblock, injuring a soldier on Sunday night.

Mr Gerry Adams, the West Belfast MP representing Sinn Féin, the political wing of the IRA, said the incident confirmed that security forces were operating a shoot-to-kill policy.

The allegation was strongly rejected by Mr John Cope, the province's security minister. He said soldiers opened fire because of the terrorist situation in Northern Ireland and not with the intention of killing joyriders.

French bid for water companies

France's largest water supplier has launched a full recommended cash offer for two water companies in south-east England following government approval of a merger, the first since last year's privatisation of the UK water industry.

Compagnie Générale des Eaux already owns Lee Valley Water Company. The Department of Trade and Industry has approved a merger between Lee Valley, Colne Valley and Rickmansworth. If Générale des Eaux is success-

ful, it will gain control of what will be Britain's seventh largest supplier.

The offer values Colne Valley at £47.5m and Rickmansworth at £27m. Although Générale des Eaux already controls Lee Valley, its offer for the outstanding stock values that company at £37.5m.

The merger was approved because the three groups have guaranteed to pass savings of 10 per cent on to its customers in the Thames Water region.

If the offer succeeds, the merged companies will be run by Three Valleys Water Services, a wholly owned but unquoted subsidiary of Générale des Eaux.

Scots to make Japanese faxes

Oki Electric, the Japanese office equipment maker, has confirmed plans to manufacture facsimile machines on the site of its printer production facility near Glasgow in Scotland from autumn next year.

The plant will be a base for the company's facsimile machine sales in Europe, which were worth £10bn (£38.5m) in exports from Japan last year, and which Oki expects will increase significantly after 1992.

Nuclear Electric to reorganise

Nuclear Electric, the state-owned nuclear power company in England and Wales, is planning to overhaul its organisation in an attempt to become more commercial.

Nuclear Electric, which was created last year after the government abandoned attempts to sell nuclear power, has to improve its commercial performance by 1994 when ministers are planning to review the industry's future.

Mr John Collier, Nuclear Electric's chairman, has announced proposals to shed 2,500 jobs from the company's 14,000 workforce by 1994.

Official body to foster democracy

Plans for a government-backed "political foundation" to help consolidate fledgling democracies in eastern Europe and the Third World will be finalised shortly, Mr Douglas Hurd, the foreign secretary, said.

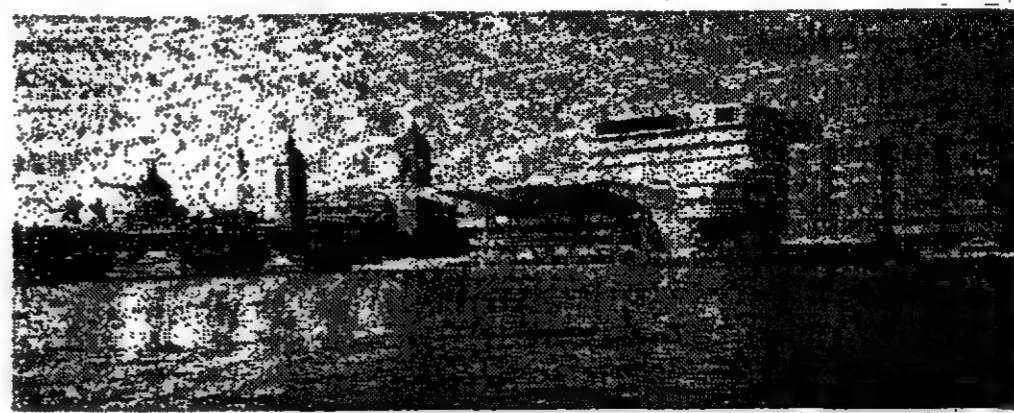
The organisation will form part of Britain's commitment to promote "good government", Mr Hurd said. That could involve strengthening democratic institutions, encouraging free market economics and upholding human rights.

Move to protect York's heritage

The ancient walled city of York in northern England should be declared a world heritage site in order to prevent further undesirable development, according to the city's MP, Mr Conal Gregory, and MEP, Mr Edward McMillan-Scott.

The two Conservative politicians are preparing to boycott the opening of an office block, which, they say, damaged a roman palace. The building may have been the palace of the emperor Septimius Severus who ruled the empire from York between 208 and 211 AD.

Proposed City heliport splits business community



A PUBLIC inquiry over a controversial proposal to build a helicopter landing pad in the City of London (artist's impression above) is likely to split the London business community. The plan, unveiled last October, involves the construction of a landing site on an elevated deck on the River Thames next to British Telecom's international exchange.

The promoters of the £10m City project - a consortium including large British businesses such as the Hanson Group, BAA, Trafalgar House, Midland Bank and the Carroll group - are facing an uphill battle against companies such as Barclays de Zoete Wedd, British Telecom, the ANZ banking group. The Royal Fine Art Commission and English Heritage have also strongly objected to the scheme. The City Corporation's Court of Common Council last June rejected a planning application for the heliport, saying that the problems of noise and safety outweighed potential benefits.



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UK NEWS

Laying the blame for the economic malaise

As talk of recession mounts, Peter Marsh finds fingers pointed in different directions

As signs of a recession grow clearer and unemployment climbs, the inquest has started about who is to blame and what has gone wrong.

One of the main aims of the Conservative government in the past 11 years has been to keep inflation down and to provide for a stable economy in which business could thrive.

Now the government is grappling with an inflation rate of 10.6 per cent - higher than when Mrs Thatcher came to office in 1979 and industry is creaking under the burden of high interest rates and a strong pound.

According to some of Britain's leading economists from across the political spectrum, the government made several mistakes in the mid-1980s which allowed domestic demand to increase rapidly, stoking up inflationary pressures.

The economists disagree, however, on the extent to which these errors could have been foreseen at the time. They also differ as to whether the mistakes can be blamed on economic or political misjudgments.

Central to the argument is how much Britain's capacity to produce goods and services has improved during the 11 years of Conservative government.

Britain is generally agreed to have had an inherent supply-side problem since the 1950s.

As a result UK productive capacity has expanded far less than in many other industrialised countries such as West Germany, Japan and the US.

In the early 1980s, the Conservatives took action to reform trade unions, cut taxes and produce a keener business climate.

The government thought that the mid-1980s explosion in demand could be accommodated by higher UK production, without significant price increases or balance of payments problems.

Today, UK inflation is twice the European average and Britain faces a likely balance of payments deficit this year of nearly £20bn. Did the supposed supply-side improvement really happen? And to what degree did the government miscalculate the demand pressures?

A key person is Mr Nigel Lawson, the chancellor of the exchequer, and architect of the

government's economic strategy between 1983 and 1989. He resigned last October after disagreements with Mrs Thatcher over the timing of Britain's entry to the Exchange Rate Mechanism of the European Monetary System.

In recent weeks Mr Lawson has broken his public silence on what went wrong just once, with an interview which appeared in IMF Annual Meeting News, a small US journal published to coincide with the recent annual conference of the International Monetary Fund in London.

The FT asked Mr Lawson's office if he would expand on

thought the crash would sap demand and confidence in industrial and financial markets.

As it turned out, the effects were far less. Mr Lawson was, however, dissuaded from any ideas at the time about applying brakes on the UK economy because he thought this would amplify the effects of the crash and possibly tip the it into recession.

In his interview, Mr Lawson failed to mention his tax-cutting budgets in 1987 and 1988. The tax cuts boosted people's spending powers and increased consumption. This was at just the time when, many econo-

not be blamed for any problems in the economy that were now showing up. For most of his tenure as adviser, he had worked only on a part-time basis. In retrospect, said Sir Alan, he should have noticed something was awry in 1987. "I should have screamed earlier," he said.

Critics also say that the government became distracted with other policies, including the privatisation programme, and neglected economic aspects, particularly the rate at which the supply of money in the economy was increasing.

For Mr Tim Congdon, a leading monetary economist who is

At the time, said Mr MacKinnon, he was "a bit sceptical" about whether big changes had indeed occurred in Britain's production capacity. Later he became convinced. "Talk of a supply-side miracle was a load of flannel. The government started to believe its own rhetoric."

Professor Wynne Godley of the department of applied economics at Cambridge University, is another long-time government critic. "The Conservatives made catastrophic mistakes in underestimating demand," he said. "They changed the world so that reality wasn't reflected back to them."

Mr Lawson has won some sympathy from analysts for the less-than-perfect government economic statistics in 1987-88. It now turns out that most of these were badly skewed. They underestimated demand factors and failed to show clear signs of increasing inflation.

However, according to Mr Peter Spencer, another ex-Treasury economist who is now at Shearson Lehman Hutton, the New York bank, Mr Lawson received other signals in early 1988 of an overheating economy on which he failed to act.

Such signals included not only excessive monetary growth but evidence from industry surveys that output pressures were heating up. "Mr Lawson has a lot to answer for," he said.

Mr Graham Mather, general director of the pro-market Institute for Economic Affairs, said Mr Lawson's strong-willed character had a bearing on the government's lack of attention to problems in the economy. "Mr Lawson was impervious to outside policy advice. There was a grim atmosphere when people tried to introduce him to new ideas," he said.

The Lawson boom will further undermine economist's reputation for being able to monitor accurately what is happening in the economy.

"After the event you have to put all the blame on the government (for the repercussions of the Lawson boom) - but I can't blame them," said Mr Geoffrey Dicks, chief economic forecaster at the London Business School. "A lot of forecasters were trying to monitor what was going on, and very few thought that things would turn out as badly as they did."



Thatcher, Walters and Lawson: disagreements throughout the chancellor's tenure

the interview - in which he admitted three policy errors - but his office said Mr Lawson was too busy.

According to the article in IMF Annual Meeting News, the three errors were:

● Underestimating the effects of financial deregulation early in the 1980s. The loosening of controls on bank borrowing, particularly in the area of lending for house purchases, is widely believed to have stoked up inflationary pressures.

● The large depreciation of sterling after the oil price collapse in 1986. This made UK industry highly competitive on world markets for a long period, and may have induced manufacturers to take on more workers and attempt to boost production in a more intensive way than they would otherwise have done.

● Over-reacting to the world stockmarket crash of October 1987. Mr Lawson, in common with other political leaders,

mists argue today with the benefit of hindsight, the chancellor should have been slowing down the economy.

But during the mid-1980s, many economists went along with the government's belief that the UK had leapt forward in its underlying productive capability and so could boost consumption without the inflationary effects showing through. "Many of us believed a miracle had happened," said Mr Gavyn Davies, chief UK economist at Goldman Sachs, the New York-based bank.

Mr Davies said that, by 1987, he had woken up to the fact that the miracle might be something of a mirage. Mr Lawson, however, failed to act to slow down demand until late 1988 - when he raised interest rates.

Sir Alan Walters was Mrs Margaret Thatcher's personal economic adviser until he resigned in October last year after a long row with Mr Lawson on the issue of European monetary integration.

Sir Alan said that he could

economic adviser at Gerard & National, a discount house, failure to keep track of the monetary indicators was the crucial mistake. Mr Giles Keating, director of economics at Credit Suisse First Boston, said Mr Lawson's disregard of the overheating of the housing market was "criminal".

Ms Janice Buck, economic adviser to the pro-Conservative Institute of Directors, said that the government was responsible for a number of positive changes on the supply side of the economy. She added: "Any government which has been in power a long time has a tendency to think everything is going nicely and not to worry. The government took its eyes off the game."

Other onlookers have a different perspective. Mr Neil MacKinnon, chief economist at Yamaichi Securities in London and a part-time economic adviser to the Labour Party, worked in the Treasury between 1988 and 1985. One of his jobs was to prepare briefing papers for Mrs Thatcher.

Fresh evidence that economy is slowing down

By Peter Marsh, Economics Staff

FURTHER signs that the UK economy is slowing have come from statistics which confirm that the average British consumer is becoming more cautious about taking on credit and spending less on retail goods.

The figures from the Central Statistical Office are good news for the government, which wants the economy to weaken in the effort to reduce inflation. They may brighten the prospect of cuts in interest rates over the next few months.

In August, the amount of outstanding consumer credit borrowed from finance houses and building societies and on bank credit cards rose by £148m compared with July. The figure rose by £188m in July and £242m in June.

The August figures confirm the generally downward trend in outstanding consumer credit since the spring. Between June and August, outstanding credit rose by £532m, compared to £638m over the previous three months.

In August, consumers took on £3.65bn of new credit from finance houses and other lending organisations. That is the lowest monthly figure since September 1988 and compares with the £3.91bn of new consumer borrowings in July.

While borrowing less, the average consumer appears also to be spending less in shops and other retail outlets. Revised figures for August showed a drop in retail sales in volume of 2 per cent on a seasonally adjusted basis compared to July.

The revised figure contrasts with a previously estimated drop of 1.5 per cent for August. It follows after several years of steadily increasing retail sales as the economy has expanded.

Retail sales figures are notoriously erratic and many economists believe a better picture is gained from looking at the underlying trends. Between June and August, sales were 1 per cent lower than in the previous three months. Sales of food have held up better than other retail items. Non-food retailers saw volumes fall by 3 per cent in June to August compared with the previous quarter.

LOCKERBIE INQUIRY

Pan Am calls for government aid to fight terrorism

PAN AM yesterday called for more government help for airlines in the fight against terrorism and hinted that airports may have to be rebuilt to withstand modern terrorists.

In a statement circulated outside the courtroom on the first day of the Lockerbie air disaster inquiry, Pan Am's senior operations vice-president Capt Robert Gould said:

"We hope this inquiry will help all concerned individuals to find the truth of the tragedy of Flight 103."

Impressive results had been achieved by investigators, he said, but the capture and punishment of the terrorists was still awaited.

"Our goal must be complete protection from terrorist attacks against civil aviation."

"In order to achieve this goal we must recognise that air carriers require more help from their governments at the frontlines of aviation security," he said.

"We must also realise and deal with the fact that airports have not been built to meet today's sophisticated terrorist threats and risks."

"Airports are places of public assembly, not fortresses."

Air carriers are in the transportation business, not the business of counter-terrorism. "An air carrier becomes a terrorist target either because it bears the flag of a nation deemed to support policies in conflict with a particular terrorist's agenda, or solely as an act of retaliation against a government for a specific act it may have committed."

Inside the courtroom the final moments of Pan Am Flight 103, frozen on a flickering green radar screen, were shown to a hushed hearing on the first day of the Lockerbie inquiry.

Air traffic controller Mr Alan Topp, 54, described how the symbol showing the doomed Boeing 747 jumbo on his screen first partly disappeared, then broke up into a cluster of smaller images.

The inquiry heard that this showed the aircraft disintegrating 31,000 feet over the Scottish Borders.

Its disintegration into large sections of wreckage was captured on a video tape of the screen which was watched, played in slow motion, by the silent courtroom.

Clothing sector urged to compete in Europe

THE UK CLOTHING industry must invest in new technology and design if it is to continue to be able to compete against Europe, writes Alice Rawshorn.

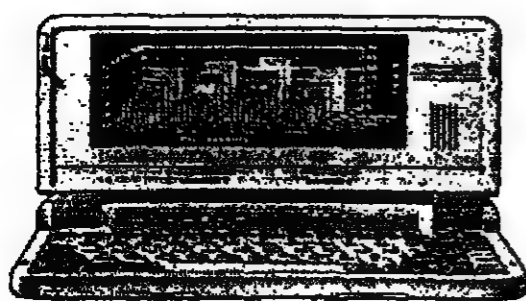
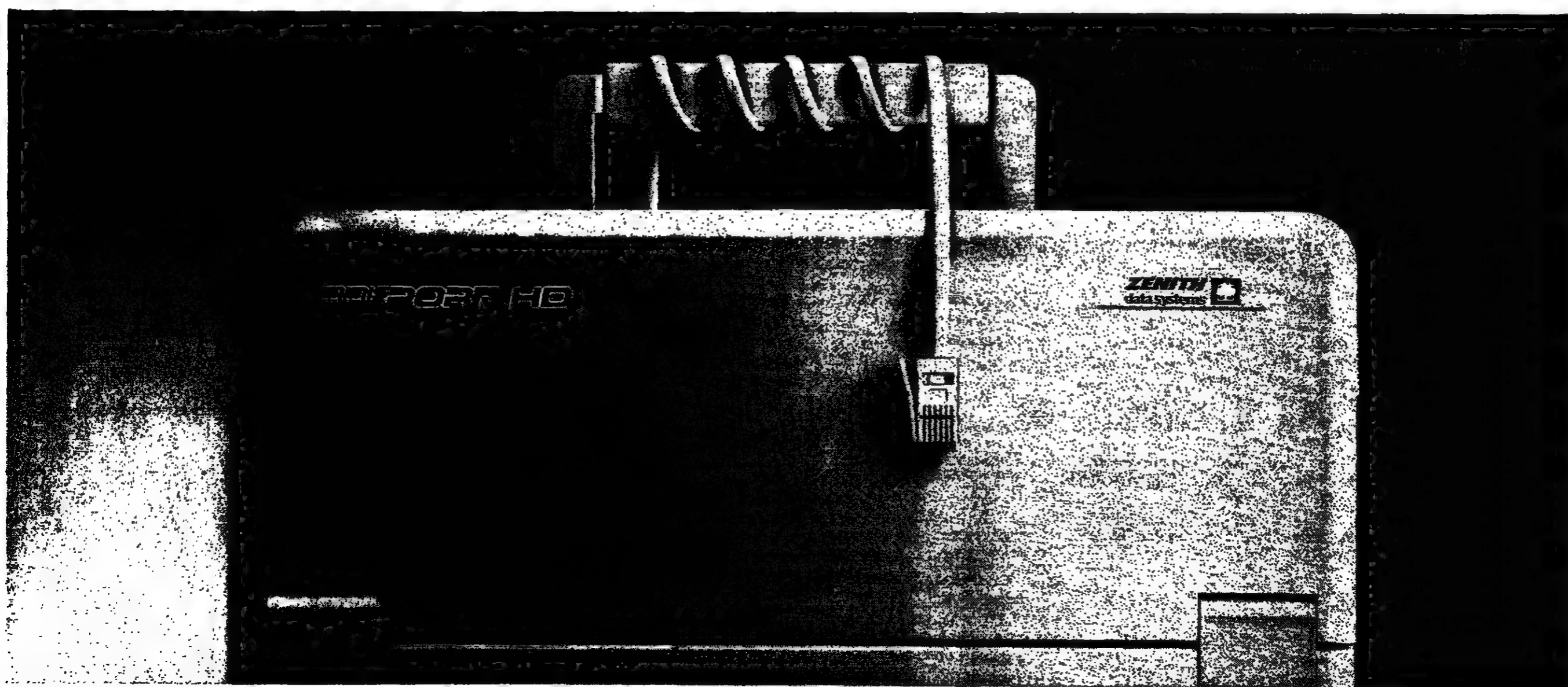
A new report into the women's fashion market from Key Note Publications says UK clothing companies need to produce more imaginative, higher quality clothing and to respond to the demand from retailers for a faster, more flexible service.

Unless the UK companies respond to this challenge they face the threat of losing market share to their more innovative counterparts in France, Italy, West Germany and Scandinavia.

However the UK clothing companies may be able to counter the market state of the domestic market by drumming up new business elsewhere in Europe. Key Note also suggests that the affluent middle class consumers' in countries like Pakistan, Nigeria and India may be interested in British clothing.

● The consolidation of the troubled design industry continued when Mr Richard Branson's Virgin announced a joint venture with Fether Miles, the product design consultancy, and Lloyd Northover, the corporate identity company, formed a partnership with Shining Strategic Design in France.

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The class of 41.

(Britain 1990.)

Educationalists say that there should be no more than 25 children in a school class.

Any more and a child's ability to learn begins to suffer.

In Britain today there are often over 40 children in a class.

At a school near Slough in Buckinghamshire, parents raised £12,000 through fêtes and sponsored events so that they could pay for an extra teacher and cut class sizes to 23.

In a school in Warrington, Cheshire, all the 6 to 9 year olds are lumped together in two classes of 37. The remaining 9 to 11 year olds make up a class of 32.

Throughout the country the number

of classes with too many children is on the increase. This is due in large measure to a shortage of teachers.

There are now more outside the education system than in it.

(Teachers can almost always find a better paid job elsewhere.)

But the overriding reason is a simple lack of resources.

We now spend less of our Gross Domestic Product on education than we did in 1979. This represents a loss of £3.25 billion.

As a result, a school in Coventry has been obliged to teach computer studies in the toilets.

But it's better off than the Cornish school which cannot use computers at all because it has no power points. (It also, incidentally, has no running water.)

It is conditions like these, together with fundamental failures such as the widespread shortage of books, that are sapping the resolve of even the most dedicated teachers.

And, of course, the heaviest penalty is exacted from our children.

The conclusion is hard to resist.

Unless there is a radical change in the funding of our schools the prospects for the class of 1990 look very gloomy indeed.



Our children are paying for cheap education.

TECHNOLOGY

The hunt for good vibrations

At the Jet Propulsion Laboratory in California scientists are experimenting with materials and structures that would automatically sense and suppress any incipient vibrations that might upset a new telescope planned for space.

Whenever on-board equipment starts up on a spacecraft, vibrations surge through the structure but fade slowly because of a lack of air to dampen them. Mariner 10, the scientific spacecraft launched to Venus and Mercury in 1973, was nearly lost when its solar panels and antenna began to flex in resonance with its thrusters.

Thomas Caughey, professor at the California Institute of Technology, and Chuen Goh, co-researcher, have found a way of detecting the vibration and feeding it back. In this way it can be dampened without introducing new vibrations. They use piezo-electric crystals that generate a voltage proportional to the amount it has moved.

The piezo-electric crystals take the form of pistons composed of small stacks of thin washers of the ceramic lead zirconate titanate (PZT). Sensors measure how much the pistons have moved, and how much force is being exerted on the PZT washers.

The pistons have been designed to avoid friction and, especially, stiction - stop-start motion - which would inject its own vibrations. They also shield the brittle ceramic from any load that might flex the washers.

One test structure - a trusswork tower - has three forms of active control, one being its PZT pistons. The second is a mounting to which a "noisy" component can be bolted, and attached with an active isolation system. Another is an optical delay line used as a mounting for a laser interferometer.

The National Aeronautics and Space Administration has organised a programme to tackle vibration and other aspects of spacecraft control. The programme is using the proposed Orbiting Stellar Interferometer as a test case.

David Fishlock

One are the days when microscopes were merely passive instruments for peering into tiny worlds. While microscopes are still used extensively for observation, the latest technology is seeking to harness this observational power to control industrial processes.

In surface engineering, surfaces are manipulated and worked, sometimes at an atomic level, to change the properties of a material. This forms the basis of silicon chip technology but is important in other industries such as metallurgy, where knowledge of the surface properties of materials is becoming more important.

With developments in applied microscopy, manufacturers of industrial products from silicon circuits to steel may soon be able to use images at the end of a microscope lens to identify faults in tiny parts of a silicon chip, for example.

Image processing is the first stage in making use of microscopic images. This is based on computer techniques to improve the quality of an image, such as increasing the contrast between different shades of grey, or applying colours.

Image analysis, on the other hand, involves the interpretation of an image using mathematical or statistical techniques programmed into a computer. These might include, for example, programs to detect the edge of a patch of a particular colour or shade of grey.

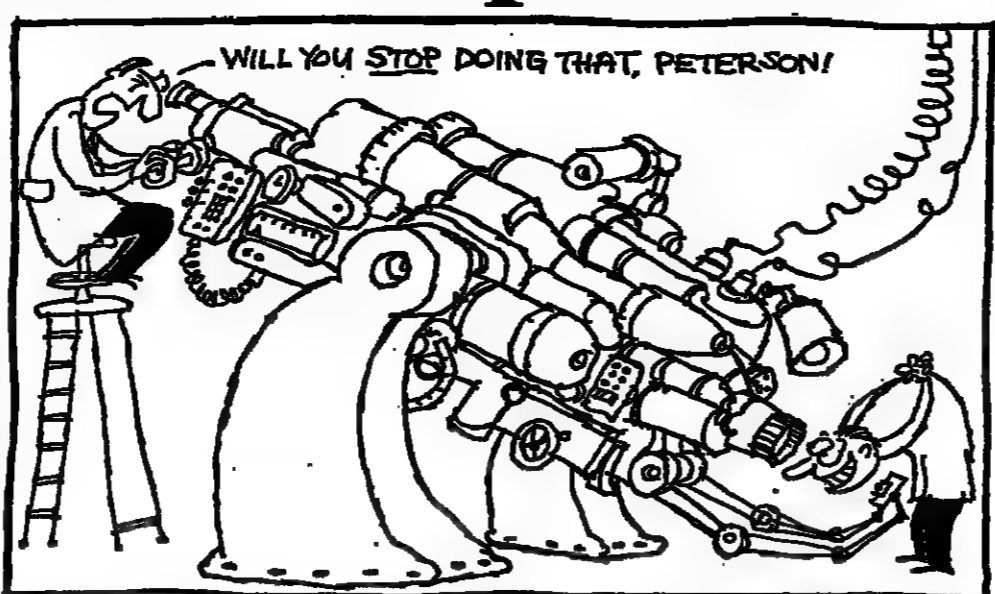
One of the most elegant developments currently under way to link the tiny world at the bottom of a microscope lens with the bigger world of industry is being considered by EVV, a subsidiary of the UK General Electric company GEC. EVV is a highly specialised company which designs and manufactures electronic cameras - known as charge coupled device (CCD) cameras. A charge coupled device is a specialised form of silicon chip that comprises an array of photo-sensitive elements, image sensors or pixels, which respond to light images.

EVV makes the charge coupled devices as well as the cameras that use them. The company has taken out a patent on a technique to link the inspection processes for the charge coupled devices with the cameras and to give automated measurement.

An ultimate development could close the loop between visual inspection using micro-

Lynton McLain on how sophisticated microscopes are being used to control industrial processes

A surface under close inspection



scopes and cameras and the remedying of any faults that may have been detected. It is certainly possible to automate the inspection process for CCD production and we are looking at ways of automating it," says John Morcom, manager of CCD cameras at EVV.

He envisages using computers to position a silicon chip and automatically carry out measurements of the tiny parts on the surface. The CCD image sensors are only about 10mm square and have "thousands of electrode structures on this tiny silicon sheet," Morcom says.

"Dimensional accuracy is crucial to the effective working of the devices," he adds. The technique covered by the company's patent is intended to determine the dimensional accuracy and accuracy of alignment of the chip components.

EVV uses microscopes and electronic cursors to measure features on the silicon surface as small as two millionths of a metre (2 microns), to a precision of two tenths of a millionth of a metre (0.2 microns).

The silicon chip charge coupled device is viewed through a microscope fitted with one of the company's CCD cameras. In the metallurgical industry, the Olympus Optical company of Japan has developed image analysis systems that have a direct link between the inspecting microscope and a computer.

The equipment is the Gue 2/3/4 desk-top image analysis system and is designed for use with all IBM personal computers.

The system is able to count, for example, all patches in particular shades of grey in a magnified microscopic image of a metallurgical sample. These colour patches represent chemical elements or alloys and can be interpreted through a computer program that compares the test sample under the microscope with a standard sample.

Roger Stacey, the general manager of the scientific equipment division at Olympus Optical, says the microscope image, suitably enhanced to bring out the required details, can then be fed as an electronic signal, down the line from the micro-

scope laboratory to a computer terminal in the production department of, for example, a steelworks. "The metallurgical process can be changed automatically in response to the data from the microscope image," Stacey says.

Olympus is already talking to a metallurgical casting company about installing one of the first systems to link the image from a microscope directly into the production works.

The automated microscope image analysis system is also suitable for applications such as textiles, dyes, paints, inks, fibres and geological materials and samples. In all these cases, the image data from the microscope examination of a test sample can be fed to a computer in the production centre, where the production parameters can be varied almost immediately and a fresh sample sent for microscopic examination and verification.

At Harwell, AEA Technology, set up to exploit the technology of the UK Atomic Energy Authority, is concentrating microscopy work on

what Ian Buckley-Golder, the manager of the surface science and technology department, describes as "ex-situ, off-line applications."

Harwell is researching a high temperature scanning electron microscope which enables industrial processes to be observed in real time as they happen. The technique has been used to examine, at up to 10,000 times magnification, what happens at the surface of two aluminium workpieces when they are brazed together.

The technique involves an electron microscope with a heated anvil, about the size of a small coin, in a vacuum chamber. The samples are heated at between 400-500 deg C, when it is possible to study, for example, the effect of impurities on the brazing process.

"You can also study the effect of cleaning processes and oxygen and watch what happens as the brazing proceeds," Buckley-Golder says. "If the amount of oxygen is too high, the brazing material sits like a ball of mercury on the aluminium workpieces and brazing does not take place."

High temperature electron microscopy has been used to help perfect techniques for brazing the one-metre square and 10m-20m long aluminium heat exchangers for air liquefaction plants, but the technique can be used to examine other high temperature processes as they take place.

One of the most advanced microscopy techniques being developed at Harwell has come to the rescue of NMB, a Japanese manufacturer of memory chips that wanted to test the purity of its semiconductor properties. By analysing the impurities which lay at the bottom of a tiny hole on one of the chips Harwell could discover the exact properties of the contents. But the hole was only seven tenths of a millionth of a metre in diameter (0.7 microns) and 4 microns deep.

The technique, called electron microprobe analysis, involves firing electrons on to the surface with the hole. The electrons produce X-rays from their interaction with the impurities at the bottom of the hole. The X-rays have a wavelength that is characteristic of the impurity.

According to Buckley-Golder: "This is like throwing a ball from the Moon to a pot seven inches in diameter and four feet deep on the Earth, letting the ball hit the bottom of the hole and then catching the ball."

Time to implement a security policy

COMPANIES must establish a security policy, endorsed at the highest level and underpinned by new security technologies, to counter the ever growing threat to systems security.

That is the message in a report from IT consultancy Butler Cox, based on an extensive survey of its Foundation members. Roger Hart, who conducted the investigation, says the financial loss from security failures can amount to as much as £400m to £200m.

Companies need to draw up a formal security policy, says Hart, implemented by a security team reporting to a board member. Its responsibilities should encompass risk analysis, assessing appropriate levels of security (absolute security is hard to conceive) and business and system priorities.

For many organisations that priority means eliminating accidents and errors - which Butler Cox says still account for 95 per cent of all systems security incidents. But others, perhaps concerned about bad publicity from security breaches, will be more concerned with preventing deliberate actions. Butler Cox quotes French experience, which shows that while the number of deliberate actions was minimal - 4 per cent - this accounted for nearly 50 per cent of financial loss in 1988.

Hart estimates that "rather few" UK companies, perhaps less than 30 per cent, have begun to put a comprehensive security policy in place, and what policies there are are typically driven by computer contingency plans. Hart believes that companies also need to build a security ethic - and attitudes of mind not dissimilar in character to quality awareness - to make the policy stick.

The prospect of technology curbing itself is two edged. Companies are looking for protection from new security techniques but the IT environment is getting harder to police: open systems and electronic data interchange increase the risk.

sensors for high security systems.

Authentication is handled, calculator-like devices which carry an encryption-type algorithm. After entering a personal identification number into a standard terminal, the user puts a computer-generated challenge into the authenticator, which calculates a response for the user to enter into the terminal. If the response matches what the computer expects then the user gets access.

Smartcards use the same principle, except that the processing logic that authenticates the user is embedded in the card. Biometric sensors, on the other hand, identify a physical feature of the user - anything from fingerprint to a retinal scan. IBM's Transaction Security System has signature verification facility - it compares values stored in a Personal Security Card with the acceleration and pressure applied when a user signs on.

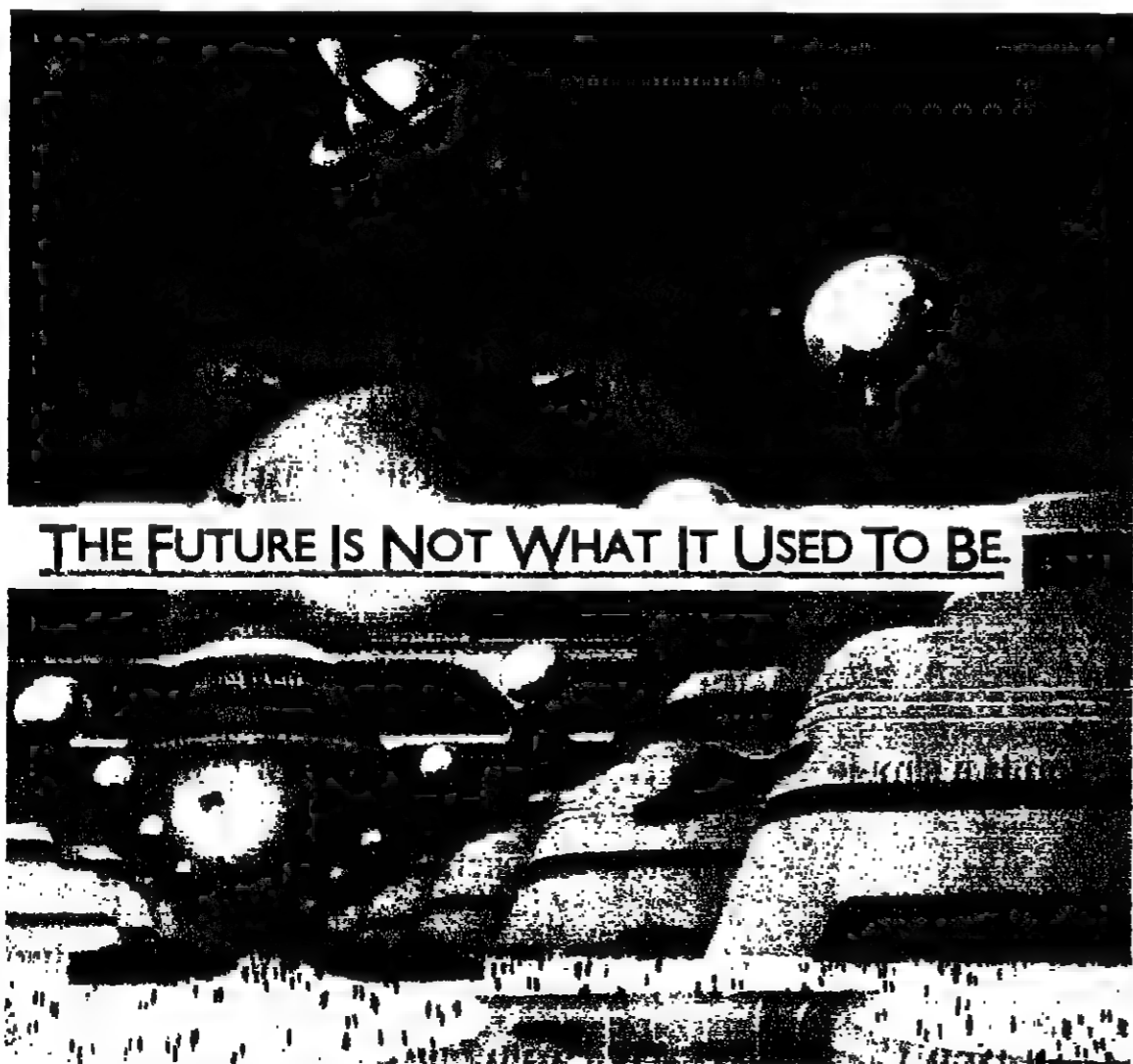
However, security control is not just about access to the systems, but to its parts as well. The security implications of network computing systems emerged as the major concern in the Butler Cox survey. "It is a miracle to get disparate systems to talk to each other over a network at all, never mind getting their security features to co-operate. And as you couple the network to the outside world, the problem only multiplies," Hart comments.

This issue goes to the heart of operating systems design. What is needed, Hart says, is better access control software, and while it is becoming available for a small range of multi-vendor environments, computer suppliers still have a lot of work to do.

On that basis it is fair for companies to assume the worst - that despite tighter access and greater security consciousness, systems security will be breached. The least they can do then is to monitor access properly.

Some communications or database management systems, for example, capture log-in information, which can form the basis of an access report. And expert systems may eventually offer a more rigorous way of detecting anomalies.

Dave Madden



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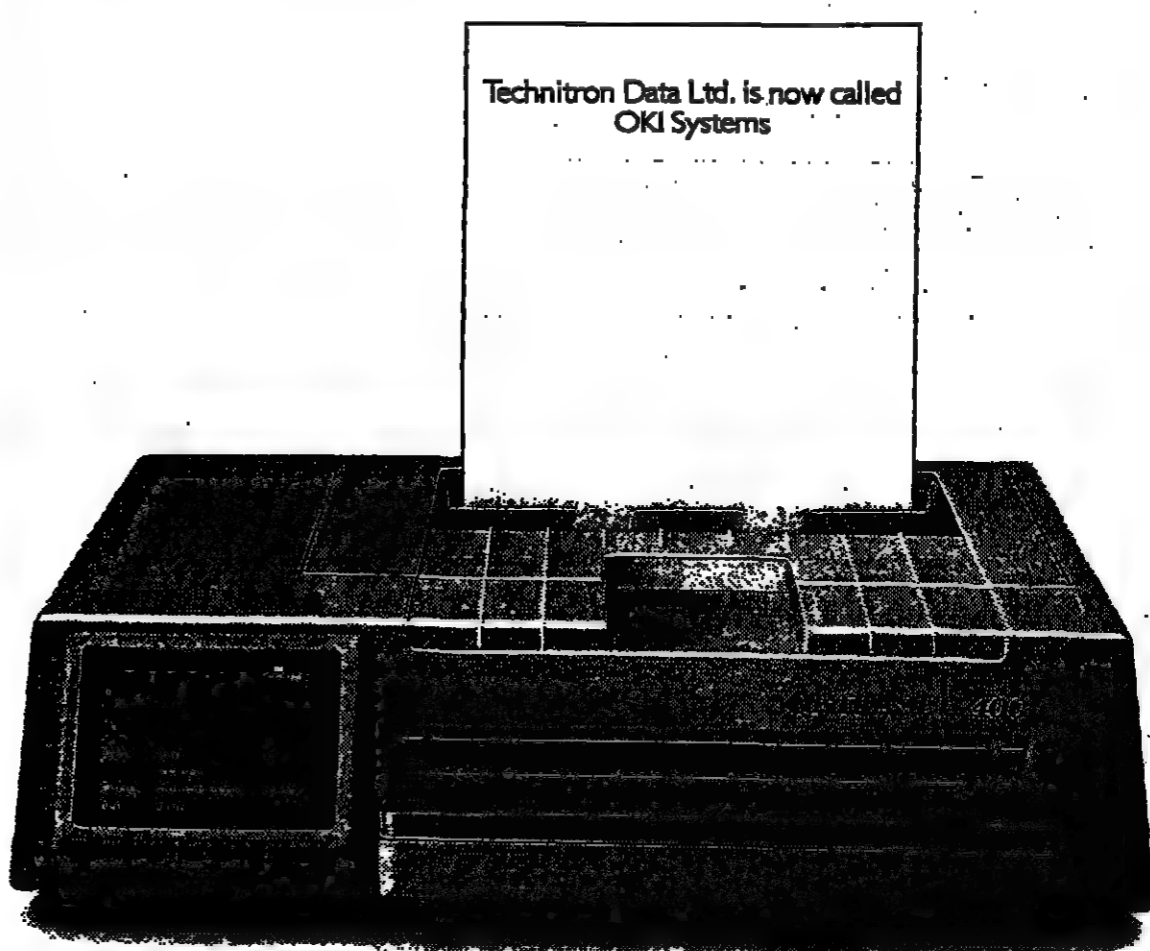
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There is good news from the world of OKI printers. Starting October 1st, Technitron Data Ltd. is now called OKI Systems.

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sidary of OKI Electric - a Fortune 500 company and a worldwide force in electronics.

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MANAGEMENT: The Growing Business

In brief...

The successful entrepreneur is more likely to have a background in his company management than to fit the profile of enthusiastic amateur. He will usually remain in the business sector he knows and be a good communicator, able to put his case persuasively to customers and potential financial backers.

In addition, the product or service he offers will need to be better or different but not necessarily cheaper than those already on the market.

This picture of the ideal entrepreneur emerges from the Venture of the Year Award which aims to find the individual who has made the best use of venture capital over a five-year period.

Overall winner of the award and winner of the "large start-up" category was Headline Book Publishing, started in 1985 by Tim Hely-Hutchinson, a former managing director of publishers Macdonald.

With £2.5m of start-up capital and two subsequent fund-raising totalling £2.1m, Headline has established a crowded field of established publishing groups. In 1990 it made pre-tax profits of £200,000 on sales of £7.5m.

The competition was sponsored by Business Development Bank, the British Venture Capital Association.

The environmental effects of new products or services may be assessed when an application for a business loan is being considered under a scheme recently introduced by National Westminster Bank.

The environmental impact could have a bearing on the viability of the business proposal and any claims that a product is environmentally friendly must be soundly based, the bank said.

New businesses based on a British invention or idea may be eligible for The Prince of Wales Award for Innovation. Awards will be made at the innovation and production stages of the venture on the basis of commercial viability, originality and technical merit.

Winners receive a certificate and the right to display the award emblem.

Contact Awards Office, Business in the Community, 227a City Road, London EC1Y 1LX. Tel: 071 490 2172.

Small Firms Service

A secret which is well worth knowing

Despite its low profile, this government body has valuable specialist advice to offer, reports Charles Batchelor



of 36 counsellors - most of them in their 50s and all with experience of either big or small business - in London. Throughout Britain there are about 400 counsellors. They are paid just £50 a day so their motivation is not financial. Most do it "for fun" and to keep their business skills sharp.

The SFS provided more than 50,000 counselling sessions in 1989/90, 7,000 more than in any year since it was founded in 1972. Enquiry clerks also handled a further 317,000 telephone enquiries on the Freefone Enterprise number. Businesspeople who call on the counselling service are entitled to three free sessions and up to another seven at £20 each.

Despite the rapid growth of the service in recent years it has not established a high profile for itself among the range of competing organisations providing help for the smaller firm. A National Audit Office report (Assistance to Small Firms) published in 1988 concluded that

the potential market was undoubtedly greater than that which was being reached. The Forum of Private Business, a small firms lobby group, suggested the SFS should be renamed the Small Firms Service after a survey of its members showed that 57 per cent did not know of the SFS's existence. Compared with the £250m spent over the past three years on the DTT's Enterprise Initiative, which subsidises small and medium-sized businesses employing outside consultants, the sums spent on the SFS in 1989/90 - have been puny.

The experience of Gordon Cheeseman's two clients appears to confirm the SFS's low profile. They were told they needed something called the Small Business Agency. This turned out to be a private consultancy but it was able to refer them on.

The future funding and organisation of the SFS is to undergo radical change as its activities are taken over by the Training and Enterprise Councils (TECs) which are being set up to deliver training and small firms assistance on a local basis. Some TECs are

already employing SFS counsellors. While Gordon Cheeseman has been unravelling the tangled affairs of his clients, another SFS counsellor, Brian Black, has been spending a day helping Concorde Motor Company, a Haslemere, Surrey car dealer, develop quality control systems.

Bernard Smith, founder and managing director of Concorde, had started out on his own looking at £85,750, an all-embracing British Standard for quality, but realised after a few months that he needed expert help.

Black knows the motor industry - he ran his own dealership until he sold out 18 months ago. This is his seventh session at Concorde, which has sales of £13m and a workforce of 55 people. Cloistered in Smith's small office overlooking Haslemere's picturesque main street, Black, Smith and John Holcroft, Concorde's quality controller, spend the morning discussing how orders for service or parts should be entered in the books; how to deal with items supplied by customers such as baby seats which have often

been used before and may lack fixing bolts, straps and fitting instructions.

When the three men break for lunch the office table and floor are covered with papers. "The normal garage owner is so busy he just doesn't have the chance to get this sort of thing done," says Black.

Concorde and the home extension company are both established businesses dealing with wide-ranging management issues so Cheeseman and Black have visited them at their premises. Start-up businesses or established companies may be dealt with in 1½ hour sessions at one of 13 local small firms centres.

It is one of these shorter counselling sessions which brings Brian Black into the SFS's London office near Victoria Station the following morning. Like the other five counsellors on hand that day Black has three appointments scheduled.

One is with two former car salesmen who hope to set up in business delivering new and used cars to dealers. Dealers frequently swap cars with rival dealers or between their own branches to meet customers' requirements. Many use salesmen to move the cars - which usually means the car is not selling - or else they entrust expensive vehicles to part-timers or retired people.

Black's two clients know their industry and have carried out some preliminary market research but they want an outsider's assessment of their prospects and some detailed advice on how to get started.

"Don't get too carried away with the favourable response to your initial proposal," Black warns. "People will look at your idea much harder when they actually have to put their money down." He advises them to keep start-up costs low by working from home and gets them to itemise what their spending will be in the first few months on insurance, buying trade licence plates, telephones and promotion.

"I'd tell someone I thought his business idea really didn't stand a chance but otherwise it's not my job to knock people down," says Black after the session. He has nevertheless helped two more would-be entrepreneurs temper their enthusiasm with reality. The high failure rate among small businesses - even in buoyant economic conditions - suggests the sort of assistance provided by the SFS will remain in demand in future.

To contact SFS's Freefone Enterprise on 0800 222 595.

Angels form the majority in US

Investors in small companies are mostly individuals, Charles Batchelor reports

Private investors or "business angels" represent the largest source of external equity capital for small businesses in the US, according to a survey carried out for the Small Business Administration, the US government's provider of finance and advice to small firms. Private individuals invest at least two to three times the \$4bn invested annually by venture capital companies in the US.

Despite its importance, the national market is made up of hundreds, possibly thousands of fragmented, localised markets in which information is passed on by private correspondence, or by word of mouth and transactions are conducted in private, the surveys showed.

Investors have for the most part had entrepreneurial experience themselves and describe their principal occupation as either business owner or manager. They have an average age of 47; a higher income than the average American though they are generally not millionaires; and they are normally highly educated with 72 per cent having a college or postgraduate degree.

The firms in which they invest are very small - 57 per cent have fewer than four employees and 90 per cent have fewer than 20 employees at the time of investment. Seventy per cent of firms are either start-ups or in their first year and most are within 50 miles of the investor's home or office.

Most investors are active

and invest on average in two companies within a 36-month period. Many make loans to the investee company as well as providing equity. The average equity investment is \$37,500 with an additional \$21,400 in loans and loan guarantees.

They invest with, on average, two other investors and make their expertise and support available to the investee firm as well as their money. Usually they do not require majority control and they prefer common stock or an interest in partnership equity to convertible stock, debentures or notes with warrants.

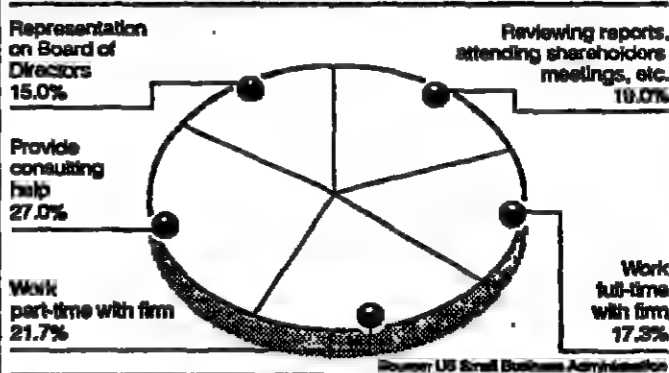
Private investors generally expect to liquidate their investment in about four years though many retain their holdings for 10 years or more. The average period of ownership is 5.1 years.

Investors reject seven out of every 10 proposals because they have insufficient growth potential, their equity is overpriced or they have inadequate information about the entrepreneur or key personnel.

Most investors contacted for the surveys were satisfied with the performance of their past investments and were interested in making new ones if they could find viable deals.

Results reported in *The Informal Supply of Capital by EJ Gaston and SE Bell of Applied Economics Group, available from The Office of Economic Research, Small Business Administration, 1441 L Street, NW Washington DC 20005, US, \$10 inc. p&p.*

Investors' involvement in firms



Source: US Small Business Administration

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Tuesday October 2 1990

A token deal on US budget

EFFECTIVE and principled leadership in the Gulf crisis has won the United States much respect in recent weeks. But US domestic policy-making often appears, by contrast, to invite only disappointment.

Nowhere is this more apparent than in federal budget-making. After nine months of petty politicking, a budget deal of sorts has finally been reached. The President's men have eaten their master's words. But the President's credibility has been sacrificed almost in vain.

The proposed budget changes for the 1991 fiscal year a feeble package of \$40bn in tax increases and spending cuts - pales into insignificance next to the projected deficit of \$294bn, which is more than 5 per cent of gross national product. Last January, the administration predicted a 1991 deficit of \$100bn. But slower growth, higher interest rates and the interest cost of the additional public debt arising from the failure of so many thrift institutions have greatly increased the projected deficit.

There is no reason to believe this to be the final figure. Last year's budget deal set a target of \$100bn under the Gramm-Rudman legislation. In the 11 months to September the actual deficit had reached \$242bn. Observers warned consistently that the time to act to reduce the deficit was before recession struck. A significant tightening of fiscal policy is politically impossible when the economy is approaching a recession.

Foolish pledge

The no-new-tax pledge is revealed as foolish. Federal excise taxes will rise once congressional approval is granted. The proposed capital gains tax cut, a last-minute by-product of the remaining subscribers to the Reaganite view that the best way to raise revenue is to cut taxes, has also been dropped by the administration, at least for the present. Regrettably, no steps have been taken to control social security spending or reform the budget process.

The budget deal is more than just a one-year package. It proposes a \$500bn deficit cut over the next five years. But these targets are unlikely to be met.

Uphill task for Labour

THIS WEEK'S annual conference of Britain's Labour party may be the last to be held before a general election. If that be the case, the party for Labour are mixed. Mrs Margaret Thatcher's government is unlikely to risk the verdict of the electorate next year unless it is confident of winning. In consequence, there is a possibility that the Conservatives will be tempted to hold on until 1992.

There is no way of forecasting today what might happen then. Labour has sustained a strong lead in the opinion polls throughout 1990. This is largely a function of voters' disillusionment with the poll tax, inflation and high interest rates. Since the outlook for the economy is uncertain, Labour's strategy is to make itself ready as a plausible alternative government and wait for the Tories to face the voters.

The conference is about the degree to which that state of readiness has been achieved. Since 1987, when the Labour party was trounced for the third time in a row, its leader, Mr Neil Kinnock, has worked hard to transform it into the semblance of a modern European social democratic party.

The old party was deeply suspicious of Britain's membership of the European Community; the new one embraces it. Old Labour was unilateralist; new Labour is not. The party of 1987 proposed renationalisation of a goodly list of industries; the party of 1990 acknowledges, with qualifications, the victory of free-market economics over quasi-Marxist economics - although it plans to resume some form of state control over British Telecom and the water companies. The dying Labour party was ill-groomed and subject to the machinations of leftwing cabals; the resurgent Labour party is firmly in the grip of Mr Kinnock's personal cabal.

Convincing the public

It is hardly surprising, therefore, that Labour strategists regard the proceedings in Blackpool as an exercise in convincing the public that the extraordinary conversion that has taken place over the past three years is genuine. The natural Conservative reaction might be to insist that it is all

indeed, experience suggests they will not be. A five-year package involves no more tangible commitment to real deficit cuts than did the discarded Gramm-Rudman targets - just an empty promise of action in the future.

Third deficit

Meanwhile, concern over the twin deficits - in the budget and in external trade - has widened, despite anger at poor public services. The gap between the infrastructure and social needs of many regions of the US and the amount the electorate has been willing to vote to meet those needs, has widened, despite anger at poor public services. The budget deal does not address this problem. Spending cuts outweigh tax increases, though defence spending cuts and lower debt service costs account for part of the difference.

A gap has been created by the unwillingness of the US taxpayer to pay for the expenditures desired by the self-same person as a voter. It has been bridged, in part, by the transformation of the world's greatest power into its largest debtor in the space of a decade. Capital hungry developing nations have been crowded out of international capital markets as a result.

However disappointing, the budget deal is a step in the right direction. But the US will still borrow at least \$250bn next year. On past performance, the outcome is likely to be worse. A significant rather than token cut in the deficit would have pressure on long bond yields and the costs of financing distressed US corporations.

Mr Alan Greenspan, Federal Reserve chairman, has given hostages to fortune by indicating willingness to cut interest rates if there were a budget deal. With deficits of this size and short-term nominal interest rates close to those in both Germany and Japan, his room for manoeuvre is limited, at least until world interest rates fall. At current interest rates, the deficit is falling. A significant drop in rates could convert this unavoidable slide into a precipitous fall. Given the minimal content of the deal, Mr Greenspan's best response would probably be to ignore it.

Laudable aims

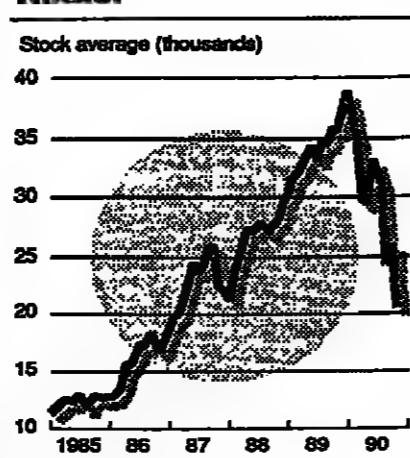
Such a line of attack will be difficult to pursue as the party puts forward its conservative-looking team of potential ministers, like Messrs John Smith and Gordon Brown. As a potential chancellor, Mr Smith focused on "how to allocate the national dividend created by economic growth." This would not be "squandering" on "irresponsible tax cuts for the better-off, but on public services and infrastructure. The "crucial achievement" of the next Labour government would be to "create the best educated and trained work force in the whole of Europe. This is a desirable aim, though one that is more likely to take 50 than five years to achieve.

Mr Smith repeated Labour's undertaking to increase child benefit and pensions, which should mop up the harvest from its proposed extension of national insurance payments and increases in higher rate taxation. The question remains whether the inflation that the next government is likely to inherit, along with the commitment to membership of the exchange rate mechanism of the European Monetary System, will give more than a modest "growth dividend".

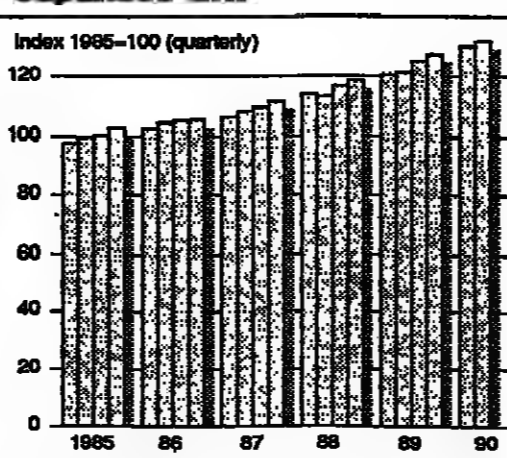
The overall picture is of an opposition that promises to do very little and hurt no one. Labour's conversion to a guarded form of market economics is an insufficient reason to vote for it, since the government can reasonably invite the electorate to vote for the party that has known markets best and believed in them longest. Its emphasis on education is promising; beyond that Labour is obliged to fall back on areas of lesser concern.

This package, as so far presented, seems unlikely to sweep Labour into power unless the Conservatives, despite all their efforts, find themselves obliged to call an election at a time of recession, rising inflation, and high interest rates combined. It is the possibility that this might, indeed, be the case that gives importance to this week's proceedings in Blackpool.

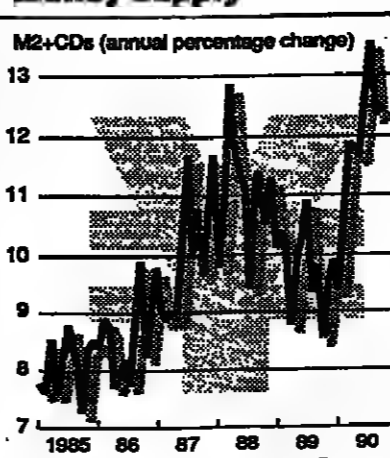
Nikkei



Japanese GNP



Money supply



Into the worst of seasons in Japan

The plunge in equities in Tokyo appears to herald trouble for the economy as a whole, writes Stefan Wagstyl

At the end of trading in the Tokyo stock market yesterday, stock prices had fallen to their lowest level since the end of the 1980s. The Nikkei index, which had risen to a peak of 34,763 in late 1989, fell to 20,221.36, the plunge in the Nikkei index from last year's peak of 34,763 expanded to 42.3 per cent - the biggest decline since the market fell 51.7 per cent during the Korean War. "Everything these days is a disaster or that, it's terrible," said one broker.

In the last few days, the atmosphere has verged on panic, with equities falling some 15 per cent in the last week alone. Last Friday, stock prices fell 10.9 per cent. Investors to stamp up more credit for shares bought on credit - the highest ever number of margin calls in a single day. Trading in some small stocks has slumped to the point of illiquidity, especially in the over-the-counter market.

Worse, there are now growing signs that the plunge in equities is an indication of trouble ahead in the Japanese economy as a whole. A combination of rising interest rates, rising oil prices, falling stock prices and softening land prices, sharpened by fears of war in the Middle East, is undermining business confidence. Mr Ryutaro Hashimoto, the finance minister, yesterday warned of the risk to Japanese economic growth as he unveiled a package of measures aimed at supporting the stock market.

However, the economic disruption may be nothing like as great as Mr Hashimoto fears. Mr Yasushi Mieno, governor of the Bank of Japan, is still far more concerned about inflation - a consequence of rapid economic growth - than he is about recession.

The collapse in Japanese shares was originally triggered by the Bank of Japan's move to tighten its grip on credit in order to ward off inflation after loose monetary management in 1985-88 had prompted a boom

in equities and in land. Iraq's invasion of Kuwait made things worse by adding fears of a possible war and a shortage of oil to Tokyo's cocktail of uncertainties.

Bears are prowling. Individuals have been selling stock to pay off investment loans. Few buyers have been willing to take their shares, with institutional fund managers largely staying out of the market. Some forecasters fear that a further decline in stocks could spark a sell-off in land with unforeseeable consequences.

Shares are unlikely to rise from current levels unless interest rates begin to look as if they might fall. Of this there is little sign. The Bank of Japan is committed to suppressing inflation, even at the cost of more declines in stocks.

The demand for credit remains high on all sides. Industrial companies have been forced to increase borrowings because raising capital is difficult given the current state

of the equity market. They need funds to take advantage of continuing strong economic growth. At the same time, Japanese banks have been scouring the markets for funds to repair their balance sheets from the damage done to them by the plunge in equities.

After interest rates, investors' chief concern is oil. Japan is almost totally dependent on imported energy. The government's Economic Planning Agency calculates that every 10 per cent rise in oil prices reduces economic growth by 0.1 percentage points and stimulates inflation to the tune of a 0.1 percentage point increase in consumer prices.

The Bank of Japan believes that inflation is the greater threat, not least because economic growth is so strong. It fears consumer prices, which are now rising at a rate of under 2.5 per cent, could spiral into runaway inflation.

But there are signs that the Ministry of Finance is becoming increasingly worried about a possible slow-down in the economy, as Mr Hashimoto, the finance minister, warned yesterday. Before the invasion of Kuwait, the economy was forecast to grow by some 5 per cent in real terms this year and 4.5 per cent in 1991. Oil prices have since risen by about 100 per cent from \$18 a barrel to \$36. The rise has come too late to have much effect on this year's growth rate but the planning agency's calculations suggest that if oil prices stay at current levels, economic growth could fall to 3.5 per cent.

That may sound healthy by US or British standards but is slow for Japan. In the world-wide recession of the early 1980s, economic growth in Japan dipped below 5 per cent year-on-year in only two quarters. According to national surveys, companies have yet to cut their capital spending plans in response to the rise in interest rates and a possible slow-down in growth. Increases of about 14 per cent are forecast for 1991. But 1991 could be different: economists are preparing to cut their estimates from pre-invasion levels of 7.8 per cent to below 5 per cent.

Even this could turn out to be an over-estimate. In recent days, news has begun to emerge of companies planning cuts. Yesterday Asahi Chemical, a leading manufacturer, confirmed it was postponing plans to expand an ethylene production plant. Ethylene capacity has been expanding

rapidly in Japan in response to growing demand. But the company said the Middle East crisis had created sufficient uncertainty for Asahi to change its plans. An official said: "It's too big a risk. We don't want to commit commercial suicide."

If companies cut investments, and if exports are hit by a slow-down in the US, can Japanese consumers take up the slack? Consumer spending remains buoyant, despite the turmoil in the stock market. Japanese individuals have less than 20 per cent of their savings in securities, so the direct effect of a fall in equity values is small. Isetan, a leading department store, said a decline in sales was noticeable only in super-luxury goods. "¥40,000 paintings and jewellery are not selling so well. ¥100,000 dresses are fine."

Compared with other countries, Japanese consumers still spend little as a proportion of total gross expenditure, 54 per cent, the lowest level among the Organisation for Economic Co-operation and Development countries. However, even if consumer spending continues to increase, it is difficult to see it rising fast enough to compensate for any sudden drop in capital spending growth.

The great impediment to the effect of the fall in equities on land. The increase in interest rates is putting pressure on property prices, with falls of 20 per cent or so reported in parts of Osaka, Japan's second largest city. But prices in Tokyo seem to have weakened by much less. Some speculative investors are in financial difficulties. The Bank of Japan wants to see land prices fall steadily, even at the cost of some bankruptcies, but it does not want to see a collapse of the scale seen in the stock market. Even if financial companies have been able to absorb most of the impact of the fall in stocks, no one in Tokyo believes they could absorb the impact of a collapse in land anything like as easily.

German unification

Curtain falls on an artificial division

By Willy Brandt

October 3 - the day of the ending of the division of Germany - is a day of great relief. A time of joy. That, indeed, is the feeling of the great majority of my countrymen and women.

It must not be overlooked that there are other opinions. More than a few young people in West Germany find it difficult to reconcile themselves to the thought of unity. Some - not the worst of our citizens - fear a wrong turning down the path of nationalism. Another worry for some of the population in the Federal Republic concerns the expected cost of unity. And, in what has been East Germany, many people had not reckoned with having to experience unemployment and social hardship.

I am sure that in only a few years' time all this will be behind us. I am not so certain, however, about the way that our European neighbours, and other partners, will react to the appearance of a larger Federal Republic. Germany's critical mass in Europe has again become a focus of preoccupation. The question is being asked: Will the Germans deploy their economic and political weight in a sensible way?

I find nothing strange about questions of this kind. But I hope that all those looking at Germany today will not lose sight of three important factors. First, having Germany divided by the force of foreign arms could not have been the least worst of history. It can hardly be said that this was a guarantee for stability.

Second, the democratic system which was established just over 40 years ago in Germany's western zones has proved its ability to weather crises. This system of democracy and western liberalism will now be extended to what was previously the Soviet Union's occupied zone of Germany.

Third, the new Germany is no longer a national state of the old kind. On the contrary, it is a federal structure - and in the future, will be even more so. Germany is already embedded in Europe, not only through treaties but also through the consciousness of its people. Germany can now become a "motor" of European unity, which progresses beyond what we have so far accomplished in the European Community.

Those who still harbour anxieties should ponder on the external factors which helped make October 3 possible. The validity of Poland's western border has now been definitely established. Germany will remain in Nato, but with reduced armed forces. The renunciation of atomic, biological and chemical weapons is



Brandt: 'a day of great relief'

seen by the Germans themselves as a salutary act, not as a deed which humiliates them. Soviet troops will be withdrawn, and the size of the western contingents stationed in Germany will be limited by treaty. This provides the right conditions for the successful establishment of a European peace order. That is more than one dared to expect a year ago. Twelve months ago, no one thought it possible that the division of Germany would be overcome so quickly. I know that - I, at any rate, did not conceive of this.

I am certainly aware that the changes in our country would not have been possible without the revolutions in the former Eastern bloc. And I also see that the uncertainties in the Soviet Union and in central eastern Europe could pose considerable problems for us all - not just for us in Germany.

But even against this background I believe that the expanded Federal Republic will be a stabilising factor. Germany will contribute to the process of structural change in eastern Europe. This German commitment must not and will not be allowed to lead to drawbacks for other parts of Europe. We will also not forget the global challenges posed by the gap between North and South.

Greater international responsibility will now fall upon Germany. I have no doubt that the Germans will live up to it. When I look around, I see no reason why I should not rejoice at what this day will bring for us: the end of a period of artificial division.

Willy Brandt was West German Chancellor between 1969 and 1974. He is honorary chairman of the German Social Democratic Party.

Conjurors to the board

Whether or not miracles turn up to abate the financial storm centred on Japan, many finance-sector employers seem to credit money with magical properties. They believe that if they brandish enough of it, anything they want will appear - including people with whatever skills they need.

Take for instance the nine banks (including three of the big four) and eight building societies surveyed by Eileen Cronin of Manchester Business School. While their personnel chiefs were all on the board, none took active part in making strategy.

Before deciding on a plan, their board colleagues took account of whether the necessary capital, premises, staff and other resources would be forthcoming. But the same question was never asked about the human skills required. It was simply assumed that the personnel chief would conjure them up.

Warning that conjuring will no longer work has just been posted by Amin Rajan of the Centre for Research in Employment and Technology in Europe.

Having analysed the trends, he predicts that the City of London's falling need for securities dealers and the like will be outweighed by rising demand for knowledge-workers such as lawyers, accountants and software engineers. The necessary recruits will not materialise at the waving of bags of money; employers will have to do some training.

Even so, whatever heed City companies pay to trend analysis in other aspects of business, experience suggests they are unlikely to do so where human skills are concerned. There, the safest bet is that they will go on believing in magic.

One thing some of them do not believe in, by the way, is the necessity of improving services to customers.

One stone

Nevertheless caring spirits in the City have come up with one market-economy solution to two social problems: overcrowded British prisons and business fraud.

They say a set proportion of fines imposed on those convicted of shady dealings should be devoted to building new prisons, or modernising existing ones. The results could then be named after their "benefactors" and marked by foundation stones or tasteful commemorative plaques.

Red rag

Red flags, the Internationalist, and May Day workers' parades are probably the last thing thousands of Soviet Jews moving to Israel want to meet in their new home.

That thought has not escaped some of Israel's Labour Party. While attached to such socialist symbols, it desperately needs support from new immigrants to revive its electoral strength.

Two younger Labour Knesset members, Chaim Ramon and Yossi Beilin, propose it should drop the symbols, and even rename itself the Democratic Party. But the idea has provoked bellows of derision from elders wedded to the party's staunchly socialist traditions. "Base expediency," roared fellow MP Ya'acov Tsur. "We do not throw away ideas and

OBSERVER



"I just had a big idea, but I've forgotten what it was."

their symbols to carry favour with anyone."

Behind the dispute lie two pressing questions of Israeli politics. One is how newcomers from the Soviet Union will vote. Will they opt for Labour's relatively conciliatory Palestinian stance or go - like many past Soviet immigrants - for the much tougher stance of the Likud Party of prime minister Yitzhak Shamir?

Question two is who will shape Labour's ideological future: the old-guard left or younger men such as Mr Beilin, a close associate of his party leader Shimon Peres whose economic beliefs are anything but socialist?

Trail-blazer

Traditions are tumbling space even in the Gulf. There is a woman taxi-driver in Dubai.

My colleague there saw her with his own eyes, although other cables he told of his discovery utterly refused to believe it.

Her name is Lily, and she is from the Philippines. What's more, she claims to have a woman colleague in the same radio-taxi firm, Inter-taxi.

They believe they are the only women cab-drivers in this region, although others are employed as private chauffeurs - the job Lily did till August. The relatively liberal emirate of Dubai is almost always the Gulf leader in new ideas. "Dubai," says Lily, "is the best."

Gospeller

Ludwig Erhard Foundation, that august German body which spreads the gospel of free-market economics, is shortly to have a change of chairman.

Otto Schlecht, veteran state secretary at the Bonn economics ministry, is likely to be elevated at the end of the month and take up the chair at the start of next year. The foundation has been run for 10 years by Karl Hohmann, who headed Erhard's press department when the legendary "father of the economic miracle" was economics minister and chancellor.

The foundation keeps alive the word of Erhard through publications and seminars and through dispensing an annual prize for journalists and economists.

Schlecht, a jovial 64-year-old Swabian, is expected to give the foundation a much higher profile - especially in the present area of East Germany, where the need to break out of 40 years of communism makes marketing capitalist values a priority task.

Second opinion

A US group's personnel chief asked its newly acquired Latin American subsidiary for a list of all staff employed, broken down by sex.

The reply was: "No staff broken down by sex. Our problem is alcohol."

INTERNATIONAL PUBLIC BIDDING

PETROBRAS BRASILEIRO S.A. - PETROBRAS, through its Engineering Service (SEGEN), hereby informs that it shall conduct an international prequalification of companies for the contracting, with financing clause, of the enlargement of the distillation capacity at the Landulpho Alves Refinery (RLAM), located in Mataripé, State of Bahia, Brazil, which shall consist of the following units and systems:

- Atmospheric and Vacuum Distillation Unit (22,500 m³/day)
- Crude Oil Tank Farm (3 tanks x 550,000 bbl)
- Ammonia Dilution Unit (3,058 kg/day)
- Sour Waters Unit (100 tons/hour)
- Cooling Unit (8,000 m³/hour)
- Water and Oil Separator - W.O.S. (420 m³/hour)
- Flare System
- Storehouses (11,250 m²)
- Integrated Control Center (S.D.C.D.)
- Input Substation (69 kV)
- Interconnections between Units

The companies interested shall request the documentation for prequalification from:

PETROBRAS/SEGEN/EMPRESA
Re: Edict SEGEN-001/90-A
Prequalification of Companies for
Enlargement of RLAM

no later than October 30, 1990, through fax number (000) (55) (021) 264-8655, indicating full address (fax and telex numbers).

PETROBRAS hereby informs that a submission of bid for prequalification shall not assure a future invitation to participate in the Price Inquiry.

LETTERS

Oil stocks: the West risks a self-inflicted wound

From Mr Robert Belgrave.
Sir, The governments which are members of the International Energy Agency chose Friday to ignore the well founded advice ("Unnecessary oil shock," September 27) and refused to release emergency stocks to the market. They never learn from experience.

In 1982 a member of the staff of the IEA and I carried out a study of the relationship between volume shortages and prices in the oil crisis of 1973/1974 (the Iranian revolution) and of 1980/1981 (the outbreak of war between Iraq and Iran). We concluded that at no time in either crisis did the shortage of supplies logically warrant the extent of the price rises.

The increases were exaggerated in 1979 by the uneven impact of shortages, by uncertainty as to what if anything consumer governments would do, and by buying for stock by governments, companies and speculators alike. We concluded that the high prices of 1979 were a self-inflicted wound by western governments.

Price rises in 1980/1981 were far less severe because all concerned were quickly convinced that supplies were going to be adequate and that local shortages would be made good.

That study and its sequel were published by Chatham House.

In the sequel, Future Crisis Management, I wrote: "A relatively minor supply cut on the scale of 1979 (2.5m barrels a day) could again lead to steep price increases and severe economic effects, unless measures are taken in advance to avert this result. It makes no sense to maintain expensive military capability to protect western oil supplies whilst neglecting the relatively simple measures available within the oil chain itself to avert or damp down a crisis."

I recommended that additional stock, equivalent to five days consumption be held by governments for automatic release through the IEA mechanism, in order to avoid the ideological arguments and squirrel instincts which have once again inhibited action.

It does not seem to be generally understood that the notion of x days' supplies of stocks refers to total consumption. Thus, if as now, present stocks are near 100 days and the shortage is under 5 per cent, stocks would theoretically last for 2,000 days from the date of first release.

For what eventuality are stocks now being held back at a time when steady release to the market would do more to stabilise prices than the whole battery of exhortation, criticism of oil companies and hopeful official statements? We risk suffering another self-inflicted wound and so forfeiting the rewards of what you rightly praise as "the firm and united military response to the Gulf crisis".

Robert Belgrave,
West Lodge,
Fiddleshurst, Dorset

Staff cuts will undermine British Telecom's future

From Mr Simon Petch.

Sir, Your report ("BT plans 80,000 jobs cut in efficiency drive," September 27) predicts the loss of some 80,000 jobs in British Telecom over the next five years. BT has subsequently denied the story. However, the story does serve to highlight two key issues surrounding Project Sovereign.

The first is the way in which the project has been described both by the company and the media. It was originally intended as reorganising the company to reflect the different types of customers it serves.

This opportunity to make the company a more customer-facing organisation, able to be a contender for the position of one of the big five worldwide telecommunications providers for the 21st century, has been undermined by those within the company who have sought to use it simply as a means to cut staff. Quite apart from alienating the very people BT needs most if it is to improve its service, it reflects the appalling short-sightedness of those who cannot look beyond the next year or even the next quarter's results.

The second issue is the continuing myth that BT is seriously over-staffed, perpetuated primarily by those who appear to have a rather elementary knowledge of the telecoms business. The number of those



OVERSTAFFED OR NOT... IT'S YOU... WE ANSWER TO...

per employee is a very crude measure of efficiency, ignoring real differences between the range of work undertaken by the companies involved.

A simple example will suffice. Kleinwort Benson is reported as estimating BT as having 14 lines per employee, compared with 186 in Spain. This is based on Telefonica's total employment, but ignores the 37,000 employees of the sub-contractors which Telefonica uses. If they are included, the picture is reversed.

Such crude analyses are dangerous, ignoring key issues such as quality of service. Stories of waiting for years for a phone connection in Spain are legendary, but remain hidden behind such figures. Until people, both inside and outside BT, learn not to call for massive staff cuts based on misleading statistics, the success of Project Sovereign in making the company more responsive to customers will continue to be undermined. It is this that we are already in recession. You only have to ask those who manufacture for the retail trade. In future overseas manufacturers will be supplying 85 per cent rather than 45 per cent of the clothing sold in Laura Ashley Stores. The consumer sector and those who supply it have big problems and any bank manager will confirm that few of his corporate customers are trading at a profit.

Few of us have any doubt that any other government would have fared much worse than Mrs Thatcher over the past 10 years. More of us would be inclined to continue to support the Conservative Party if it admitted it had made mistakes in economic policy.

Do we really have to have such high interest rates? By what criteria can British industry invest to make a return on the cost of money? Any UK company has to earn a minimum return of 20 per cent on a new investment from day one or it should keep the money in the bank or refund from borrowing. Our competitors can invest to earn half the rate of return. One accepts that high interest rates create demand which will, at great cost, eventually reduce inflation. But there must be a better way.

One suggestion is a differential rate of interest, which would be lower for longer sums borrowed for longer periods. This would benefit industry and commerce at the expense of the individual. Another way would be to limit the interest rate charged by a lender to a maximum of perhaps 7 per cent over the bank base rate.

If credit card companies and the like were deprived of the opportunity of charging huge rates of interest which enables them to make massive provision for bad debts, there would be a significant reduction in credit. As a side-effect, it would save a lot of people from getting ever deeper in debt.

Peter Nutting,
North Brache Manor,
Bournemouth, Surrey

High interest rates: there must be a better way

From Mr Peter Nutting.

Sir, I am writing as a strong supporter of the Conservative government and its policies over the past 12 years and as chairman of a quoted company, Mustrin Group plc, which has just asked its bankers to appoint a receiver. I joined the company little more than three months ago to see if I could resolve problems of indebtedness and poor trading. The reasons I failed include high interest rates, problems of banks and poor trading.

The primary objective of financial policy must be the elimination of inflation but I question the government's statements on the economic situation. There can be little doubt that we are already in recession. You only have to ask those who manufacture for the retail trade. In future overseas manufacturers will be supplying 85 per cent rather than 45 per cent of the clothing sold in Laura Ashley Stores. The consumer sector and those who supply it have big problems and any bank manager will confirm that few of his corporate customers are trading at a profit.

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Peter Nutting,
North Brache Manor,
Bournemouth, Surrey

President Bush has unveiled a \$500bn package to cut the Federal deficit. But as Peter Riddell reports, the measures still face hurdles

Real test still lies ahead

President George Bush and Congressional leaders looked far from elated when they gathered at the White House to announce last minute agreement on a \$500bn five-year deficit cutting package. Difficult though the five months of talks had been, "now comes the hard part" as Senator George Mitchell, the Democratic majority leader put it.

The package faces two critical tests. First, being approved by Congress by October 19; and, second, being taken seriously by the financial markets. Neither test will be easy. Mid-term elections for a third of the Senate and the whole House of Representatives are coming up on November 6, and there has already been criticism of the package from legislators aware of the unpopularity of raising indirect taxes on beer, cigarettes and the like and cutting back on social security provision for the elderly. The markets' reaction yesterday was coolly positive, though only in the hope that the deal will lead to lower interest rates.

Both Mr Bush and Democratic leaders have a lot at stake politically. Mr Bush has had to make sacrifices - dropping his no new taxes pledge (with \$134bn in higher taxes proposed over five years) and abandoning his often repeated desire for a cut in capital gains tax. In the process he has incurred strong criticism from conservative Republicans, notably in the House where there is still a sizeable group of tax cutting Reaganites.

There is a real risk of a split within the Republican party which could make approval of the package more difficult.

On the Democratic side, there has been unhappiness about the Medicare cuts and about the impact of tax increases on ordinary working people. But the Democrats can point to having defended the social security system.

While both sides will seek to smother blame for unpopular measures in a cloak of bipartisanship, the real message of the agreement is that they had no choice.

It has been conventional wisdom among the leaders of both parties, let alone financial markets, that something has to be done about the Federal deficit. Admittedly, the US deficit has

not been very high as a percentage of gross national product in comparison with some industrial countries. But when combined with a low level of personal savings in the US the Federal deficit has meant that domestically generated savings have been insufficient to match investment and there has been a large inflow of capital from abroad. The budgetary constraint has affected Mr Bush's freedom of manoeuvre both in domestic programmes and internationally where the US has had to work and seek money from other countries.

But this year two things have changed. First, the serious problems of the Japanese financial system have resulted in a big fall in inflows into the US from banks and institutions in Tokyo. And the huge cost of German unification has cut the flows of European capital as well. The shift in the supply-demand balance has been exacerbated by the continuing high level of long term US government bond yields.

The package faces two tests - being approved by Congress by October 19, and being taken seriously by the financial markets. Neither test will be easy

US Federal deficit: projections for fiscal 1990-91 (\$bn)	
Jan 29	100
May 22	167
July 17	231
Sept 16	250
Sept 30	294
(254 after package)	
Source: White House	

tion law. Moreover, even that figure could be exceeded since while the Administration naturally regards its forecasts as realistic the economy is still assumed to grow by 1.3 per cent during 1991.

Much of the deficit reduction is, as usual, in later years. While the markets may be sceptical about such a pledge of virtue - but not yet - the Administration argues that the tax and spending measures to validate the target will be enacted and that the Federal Reserve's counter-inflation stance and long term interest rates rise.

So both the contractionary fiscal impact of the budget package and any offsetting monetary easing may be limited. An even more difficult task is to look certain this winter and there is still the possibility of a fully fledged recession.

Mr Bush will be hoping for at least some positive response from the Fed in the next couple of weeks which he can cite to press reluctant congressmen to support the package. The probability, though not the certainty, is that the agreement will be approved though after considerable alarm and brinkmanship. After all, the US Congress is more efficient at delaying than implementing action.

The risk for Mr Bush is that he and the Republicans will be blamed for immediate unpopular measures and that a recession may not be avoidable. It may be difficult for him to shift the blame to the Fed for its monetary policy or to Democrats for opposing a capital gains cut. The opportunities for the Democrats are narrower since as the majority party in Congress they may share the immediate blame while they will not benefit politically from a strong recovery in 1992.

While the agreement should help to reduce the budget deficit substantially by the mid-1990s, this is almost certainly not the last such summit of the Bush presidency. The same reluctant negotiators will probably be back round the table in a year or two in a further attempt to eliminate the deficit.

Much will depend on the reaction of the Federal Reserve, whose policy making

Sovereignty can be divided up, shared and pooled

From Mr Gary Miller.

Sir, Patrick Robertson of the Bridges Group (Letters, August 29) provides an excellent overview of how in certain British political circles people still hold to an impoverished conception of sovereignty.

Of course sovereignty can be divided up and transferred, shared and pooled. That is what we have been doing ever since we joined the European Community. The constitutions of Italy, Germany and Ireland explicitly allow for this in relation to Community membership. The principle that sovereignty (or the supreme law-making power) can be divided according to function and distributed between different levels of government lies at the core of federalism - the system used by all the world's largest democracies.

Many of our EC partners are moving towards increasingly federal structures of regional government. This has the support of local business which recognises the advantages of having such a government on its side when seeking central funds, inward investment or external markets.

Only in this country does a large part of the political elite on both right and left cling to an unfortunate misinterpretation of the sovereignty doctrine to justify a view of British nationhood which has been rendered obsolete by history.

The economics of the modern, interdependent world dictate that we, like our partners closely to those of our most immediate neighbours and forge a new identity with them which will be capable of competing with the world leaders, Japan and the United States.

To achieve this, the EC member states had to go beyond national models of co-operation which leave sovereignty intact, and to integrate themselves into one market, for which a new political authority was required to exercise certain powers of sovereignty in common. Thus, the old view of national sovereignty as something absolute, indivisible and unlimited had to be abandoned.

Is it not time for a revaluation of this principle in Britain in light of the fact that our accession to the Community is effectively irreversible, since there can be no serious alternative to full membership?

Gary Miller,
Federal Trust,
1 Whitehall Place, SW1

Separate the track system from British Rail

From Mr Charles Hazell.

Sir, May I add to the recent correspondence suggesting a bold separation of British Rail from the government by extending the argument whereby both the track system and the freehold on which it lies are separated from each other and BR.

The air corridors are a national asset managed by the Civil Aviation Authority. Why not apply the same procedure to the track system?

The CAA has built up a competitive civil aviation industry which is second to none in Europe. Why should we not have similar conditions on the rail tracks on routes such as London to Manchester, Cardiff, Glasgow and Edinburgh? Perhaps the CAA team could be persuaded to take up the challenge of the railway industry?

Other state-owned railway operators will soon have access

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US BUDGET

Congress leaders set for hard sell

By Lionel Barber in Washington

IT'S going to be a hard sell. That was the verdict among grim-faced Republican and Democrat leaders in Congress yesterday as they campaigned for ratification of the five-year \$500bn (£265.9bn) package to reduce the federal deficit.

Rank-and-file Republicans are livid about the tax increases. Nor do they like President George Bush's decision to ditch his proposed cut in the capital gains tax either.

Liberal Democrats find the cuts in domestic spending at best unpalatable. At worst they could justify a vote against the package.

The mood of resentment may be difficult to contain. The mid-term elections take place next month, not a time when US politicians are noted for their courage.

Moreover, it has been at least five years since Congress has attempted anything as ambitious in terms of cutting the deficit.

People have become used to letting the good times roll.

The package must pass both the House and Senate. Democrats have a majority in both

chambers, but because they do not wish to carry sole responsibility for the unpopular measures they are demanding a majority of Republicans in the House and Senate sign on to the deal.

The single most important group influencing passage, therefore, are the House Republicans, whose spiritual leader is Mr Newt Gingrich of Georgia and whose disappointment yesterday was palpable.

"The fiscal equivalent of Yalta," said one Republican, "a road map to recession," said another.

House Republicans possess a guerrilla mentality stemming from more than 30 years as the minority party, and confidence in their leader - Mr Robert Michel - appears to be ebbing.

Mr Michel added to uncertainty by suggesting yesterday that his troops may defect in the first up-and-down vote in the House.

"It might take some more convincing on the part of the membership that the alternative is sequestration," he said, hinting it might take some Gramm-Rudman spending cuts

to force his colleagues to swallow their medicine.

Much, of course, depends on Mr Gingrich. In the hours after the deal was struck, the Georgia firebrand was noticeably silent, allowing others to vent their fury on his behalf. One question is whether Mr Gingrich wishes to attempt a floor fight over the budget - even at the risk of splitting his party.

The first test will come on October 5, when Congress is due to pass a budget reflecting the new taxes and spending cuts proposed in the compromise, as well as a stop-gap spending bill which allows the federal government to finance its operations.

This would also halt the \$105.7bn Gramm-Rudman cuts until October 19.

The next key date is October 10, when the appropriations committees in the House and Senate finish work on 13 spending bills which cover spending by the federal government.

Spending cuts would be higher, the financial markets could go into a tailspin and confidence in the economy, already fragile, could fall further.

If Congress is to support the deal, both Democrats and Republicans agree the sales-pitch should turn on the national interest.

Here, Mr Bush, as president, has an important role to play. Some Democratic leaders such as Mr William Gray, the Democrat majority whip, would like to see the public put heat on members to approve the deal.

Far more likely will be an eruption of special interest pleading as lobby groups press Congress to resist the rise in petrol taxes, the increase in Medicare costs for the elderly, the boost in cigarette and alcohol taxes and the cuts in farm support programmes.

In the last resort, however, the strongest selling point is that the alternative to ditching the deal is simply too awful to contemplate.

Spending cuts would be higher, the financial markets could go into a tailspin and confidence in the economy, already fragile, could fall further.

Real still lies ahead, Page 25

Airbus wins \$5bn order for A320s from US airline

By Paul Beffa, Aerospace Correspondent, in London

AIRBUS, the European aircraft manufacturing consortium, achieved a breakthrough in the US airline market yesterday with a \$5bn order for up to 115 A320 aircraft from America West Airlines.

The deal brings to 643 the number of A320s on firm order from airlines around the world - passing the 500 break-even target at which the aircraft programme will become profitable.

It follows a \$1.8bn order for 25 A320s announced by Swissair last Friday and confirmation by another US carrier, Northwest Airlines, for the twin-engine, narrow-body airliner.

Northwest has also taken 30 options on the A321, the new stretched version of the 150-seat A320.

The A320, the world's first computer-controlled "fly-by-wire" civil airliner, has become the industry's fastest selling passenger jet in the past six years.

So far, 110 have been delivered to customers and Airbus recently announced that it would report an operating profit this year for the first time in its 20-year history.

The America West deal involves a complex multi-party transaction including GFA, the Shannon-based aircraft leasing group, the International Aero Engine (IAE) consortium, Kawasaki Enterprises of Japan, and Airbus acting as a broker between all parties.

Under the contract, firm orders have been placed for 74 aircraft with options for an additional 44. Twenty six of the aircraft will be leased from GFA.

The IAE group, which includes Pratt & Whitney of the US, Rolls-Royce of Britain, MTU of Germany and a Japanese aero-engine consortium, will provide the V2500 engines for the A320s.

Airbus said it was not arranging any special financial facilities for America West but would provide a package of spare parts and training support as aid for all its customers.

In the recent Northwest deal, however, Airbus agreed to arrange a \$500m secured financial facility for the US carrier.

America West, which sprang up after US airline deregulation, is based in Phoenix, Arizona. Up to now it has operated a fleet of Boeings.

THE LEX COLUMN

Fresh hopes from a new quarter

To all appearances, the year's final quarter could scarcely have got off to a better start. The oil price is down and so is the classic indicator of tension, the gold price. Japan's Finance Minister has decided the Tokyo market should stop falling. And above all, President Bush has put together a Budget compromise which should allow the Fed to go ahead with a cut in interest rates.

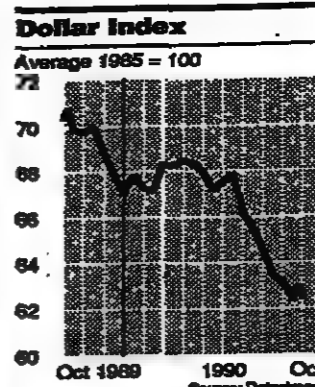
Wall Street's initial response yesterday seemed grudging, even if bonds and equities were both rising by the afternoon. But Wall Street has been caught out by Budget euphoria before. The \$40bn of spending cuts in the package is a drop in the bucket; and it remains to be seen whether the prospect of lower interest rates can outweigh the market's fundamental concerns about recession - as re-emphasised by the weakness of yesterday's Purchasing Managers' Survey - and the signs of distress in the banking system.

Nor is it clear that a modest easing by the Fed would leave room for relaxation of the monetary squeeze elsewhere in the world. Whatever the wishes of the Japanese Finance Ministry, the noises from the Bank of Japan suggest if anything the likelihood of greater tightening. And for the Bundesbank, high leverage and erratic earnings, that its market capitalisation currently is about \$100m and that it made after-tax profits of less than \$4m in the six months to June 30.

This is the company, too, that has been negotiating recently to buy the eastern seaboard Pan Am shuttle, for a price some Wall Street analysts reckon could be about \$200m. Of course, less finance figures prominently in the sketchy public details of the America West/Airbus transaction, with GFA and Kawasaki Leasing both involved. But one has to wonder just what kind of profit margins a deal like this will produce for the Airbus consortium partners or the engine makers.

Airbus

Stock market investors have every right to be sceptical about Airbus's prospects of profitability when they are presented with enigmatic announcements like yesterday's gigantic order from Arizona. The buyer, Phoenix-based America West, wants up to 115 Airbus A-320s between now and 2005, which makes this the largest single order the



Airbus consortium has ever received. Hence the public trumpeting of the deal yesterday by Rolls-Royce, which will be getting a large slice of the consequential aero-engine revenue. What seems strange is the sheer scale of the deal compared with the relatively small size of America West.

America West is not yet a household name in the US, being a purely domestic operation with two hubs at Phoenix and Las Vegas. As a non-union airline, with a strong aircraft maintenance unit and respected management, it has its strong points. But it is also apparent that it has a history of high leverage and erratic earnings, that its market capitalisation currently is about \$100m and that it made after-tax profits of less than \$4m in the six months to June 30.

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British Telecom

It is a measure of British Telecom's defensive qualities - in particular its double digit demand growth and minimal currency exposure - that its shares have handsomely outperformed the likes of BT and Sonnet over the last year. So the sound of its regulator barking noisily and threatening to cap its international prices - the most profitable part of its business - might come as a

nasty shock.

But the reason BT's shares still sell at a discount to the market and deserve their humble rating is the ever-present regulatory risk. In this respect, yesterday's broadside from Ofcom should come as no surprise. Indeed, given the relative weakness of the competition since the privatisation of BT six years ago, the regulators can be criticised for not having done more. By the same token, the idea that the forthcoming duopoly review was going to be a non-event, because anything else would jeopardise the authorities' chances of selling their remaining 55bn BT stake, is also wide of the mark. The politics of BT's regulation may be as murky as ever, but there does seem to be evidence that the authorities are intent on turning up the competitive pressure.

However, the idea that by virtue of its massive market share BT is most at risk from any hint of increased competition is too simplistic. If BT is forced to cut its prices it will have an adverse knock-on effect on Mercury, which has been winning international market share by undercutting BT. Similarly, if increased competition involves increased competition from other telecoms, that is not all bad news for BT, especially if price reductions stimulate an overall increase in the market's size. The final proviso is that international telecom prices are already declining in real terms, so the degree of pain can really be made to look worse than it really is.

Tootal

It is still hard to believe that Tootal has a long term independent future in the global textile industry. A 17 per cent fall in first half pre-tax profits to \$16m is not a bad showing given the sorry state of many of the markets it operates in; and despite the jump in its interest charge, Tootal is adamant that it does not need to tap the equity markets. But it remains unclear whether a group with a market capitalisation of \$200m has the muscle to exploit its overseas ambitions. The growing emphasis on joint ventures is helping reduce the financial risk but is also limiting the rewards. Barring Coats Vytex's return to the bargaining table, there is no reason why a textile company should boast a prospective multiple of 8, particularly given its slim dividend cover.

Manufacturers gloomy on economic outlook

By Anthony Harris in Washington

THE US Purchasing Managers' Index, the most widely followed indicator of manufacturing sentiment, fell for the third successive month in September to 44.4 per cent, the lowest level since December 1982. A 50 per cent reading indicates an equal balance of optimism and pessimism.

Although weaker than expected, the index was still just above the level which would signal a general economic recession, according to Mr Robert Bretz, chairman of the survey committee.

On the positive side, export orders are still rising, and the survey revealed that investment spending plans have barely been affected by the economic downturn or the Gulf crisis.

Another question which the manufacturing sector still enjoys ready access to bank credit, despite the general increase in lending caution. However, there was a sharp jump in the inflation index, due almost entirely to oil-related cost increases.

The index rose to 73.4 per cent in September, up from 68.3 per cent in August. The survey showed that US manufacturers are still planning to shed more labour and to cut inventories.

However, Mr Bretz added: "Some members indicated they have already or will soon be bringing in selected commodities earlier than required in

order to delay the impact of announced price increases." Despite a small improvement in export prospects, with the index up a point to 54 per cent, the weakness of domestic demand holds out no short-term hope of a general recovery in manufacturing.

The New Order Index declined for the third consecutive month and is the lowest since the trough of the previous recession, November 1982. New Export Orders continued to increase in September, said Mr Bretz. Imports of industrial supplies will continue to fall, according to the survey.

Manufacturing still enjoys the confidence of the banks; according to the survey, a special

question showed that 89 per cent of the respondents indicated requests for new or additional credit from financial institutions since June 1990. Of these, 96.5 per cent said they encountered no additional difficulty and 2.5 per cent reported tightened lending conditions.

Capital spending plans have remained robust in these circumstances, Mr Bretz reported. "In answer to a special question regarding capital spending plans for the next six to 12 months as a result of the Middle East crisis, 88 per cent of respondents said their plans had not changed, 8 per cent said they were revised downward, and 4 per cent were revised upward."

Bush underlines US hopes for Gulf peace

By Peter Riddell, US Editor, at the United Nations

PRESIDENT George Bush yesterday sought to reassure other world leaders about US intentions in the Gulf crisis following increasing worries about a slide into war.

Addressing the United Nations General Assembly, watched by many heads of government as well as the Iraqi ambassador, President Bush underlined his desire for a peaceful outcome to the crisis and stressed that the US did not want a permanent military presence in the Gulf.

He also suggested that if the Iraqis withdrew from Kuwait, opportunities could be opened for the resolution of long-standing regional disputes in the Middle East.

Mr Bush later denied to reporters that he was offering olive branches in his speech. He stressed that any talk of dealing with broader Middle East problems was dependent on Iraq's unconditional withdrawal from Kuwait.

He also played down talk of military action, saying it was necessary to give sanctions time to work and be effective. He said he had heard "rather encouraging words" about the impact of sanctions. "Saddam Hussein is beginning to understand that it is him against the world, and I've heard more optimism in various quarters that sanctions are really beginning to bite hard."



The Emir of Kuwait confers with the Kuwaiti foreign minister at the United Nations

Mr Eduard Shevardnadze, the Soviet Foreign Minister, praised Mr Bush's speech for making "all the necessary points of emphasis quite correctly and quite constructively. It is this approach that opens up good prospects for a peaceful solution."

During his speech, Mr Bush said Iraqi behaviour was a challenge to the entire world's vision of the future - "a test which we cannot afford to fail."

He emphasised that the withdrawal of Kuwait would not be permitted to stand and said the US sought no advantage for itself in sending mili-

tary forces to the region.

The president said that following an unconditional Iraqi departure from Kuwait there might be opportunities "for Iraq and Kuwait to settle their differences permanently; for the states of the Gulf themselves to achieve stability; and for all states and peoples of the region to settle the conflict that divides the Arabs from Israel."

Mr Bush developed his vision of a new partnership of nations that would transcend the cold war. He described the new order as "a partnership based on consultation, co-operation and collective

action, especially through regional and international organisations; a partnership united by principle and the rule of law, and supported by an equitable sharing of both cost and commitment; a partnership whose goals are to increase democracy, increase prosperity, increase the peace and reduce arms."

In particular, he suggested a formal increase in the role of the UN in the holding of free elections as the foundation of democratic government, and proposed that the UN establish a special co-ordinator for electoral assistance.

Crisis in the Gulf, Page 2

Kohl warns over unity

Continued from Page 1

allow participation in United Nations peace-keeping. The "considerable efforts" demanded by unity could not be used as an excuse for Germany to escape its international obligations.

"Anyone who tried to do this would dangerously shake the confidence which the federal republic has won in more than 40 years," the chancellor said. The chancellor pleaded for reconciliation with Poland and said a new "wealth gap" should not open up between the two countries.

Thousands of Poles have been flooding into Berlin recently. The last-minute buying spree before visas are introduced tomorrow.

Group buys US insurer

Continued from Page 1

chief executive, Mr Marshall Manley, attempted to build up a broad financial services group through acquisitions from being ousted in March.

Since then, AmBase's shares have been clouded by the junk bond portfolio problems, the company's outstanding loans to Drexel Burnham Lambert, the US investment bank now in bankruptcy, and the effect of the grim property market on Carteret Bancorp, its New Jersey-based savings and loan business.

AmBase expects to appoint advisers to help "restructuring plan". Trygg-Hansa will have one third of the share capital in the holding company that is to acquire Home Insurance.

Plan launched to cut international telephone charges

By Hugo Dixon in London

A TWO-pronged approach to cut the price of international phone calls from the UK was announced by the Office of Telecommunications, the industry watchdog, yesterday.

Sir Bryan Carlsberg, the watchdog's director-general, unveiled plans involving the introduction of more competition in the international telecommunications market and the regulation of British Telecom's international call charges.

Ofcom's action follows the revelation earlier this year by the Financial Times that phone companies all over the world are overcharging their customers by more than \$10bn a year for international calls. It comes one month before the UK gov-

ernment is due to launch a review of whether BT and Mercury Communications, its only licensed rival, should retain their exclusive rights to provide basic telecommunications services.

Sir Bryan said the BT/Mercury duopoly had not been effective in cutting the price of international calls. "The contribution made to BT's return on investment by international telephone calls has increased sharply since 1986 instead of being eroded by competition," he said.

Internal BT documents show the company was earning profit margins of 60 per cent on international calls in 1987/88. And Robert Fleming, the stock broker, estimates that the com-

pany's return on capital for international services is 114 per cent.

The first prong of Ofcom's approach is to cap BT's prices, although Sir Bryan yesterday refused to put a figure on how far he wanted prices to fall, saying he needed more time to investigate the issue.

He said it was possible that BT would be required to make a one-off reduction in international prices early next year. After that, a formula would come into effect requiring real reductions of prices each year. BT's domestic charges are regulated in this way but, until now, it has been free to set its international charges as it thought fit.

If BT refused to agree to the

price cap, Sir Bryan said he would consider referring it to the Monopolies and Mergers Commission. BT and Cable and Wireless, Mercury's parent, refused to comment, saying they had not had sufficient time to form a view on Ofcom's action.

The second prong of the approach is to allow new competitors to lease capacity in bulk from BT and Mercury and then retail it to customers. Ofcom has advised the Department of Trade and Industry, which has authority in this area, to change the regulations and the Department has agreed to recommend such changes as part of the duopoly review. Letters, Page 23

WORLDWEATHER

Amsterdam	10	15	10	10	15	10	10	15	10	10	15	10	10	15	10	10	15	10	10	15	10
Bombay	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Buenos Aires	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10
Calcutta	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Canton	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Cebu	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Colon	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Hankow	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Hong Kong	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Kobe	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10
London	10	15	10	10	15	10	10	15	10	10	15	10	10	15	10	10	15	10	10	15	10
Lyons	10	15	10	10	15	10	10	15	10	10	15	10	10	15	10	10	15	10	10	15	10
Manila	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Medan	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Osaka	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10
Shanghai	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Singapore	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Sourabaya	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10	28	15	10
Tokyo	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10
Yokohama	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10	15	15	10

FINANCIAL TIMES COMPANIES & MARKETS

Tuesday October 2 1990

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INSIDE

Matsushita, MCA plan Japanese venture

Matsushita Electric and a subsidiary of the US group MCA are forming a joint venture to market recorded music in Japan and to promote Japanese recording artists. Yesterday's announcement was aimed at stifling rumours that Matsushita was preparing a takeover for MCA and is part of a broader trend of Japanese consumer electronics makers expanding their entertainment software networks. **Page 28**

Spanish farmers find a bitter taste in EC membership

The prosperity of the farmers in the Jerez region of Spain is testimony to the vast quantity of sherry consumed by the British before Sunday lunch and at Christmas. But not all of Spain's farmers can boast such reliable markets — or prices — for their products. Since joining the EC, Spanish farm profits have taken a dive. Membership means adjustments that reduce prices when community production goes too high. Farmers' viewpoint looks at the problems faced by Spanish farmers. **Page 35**

French bid for UK water groups

France's largest water supplier yesterday launched a recommended cash offer for two UK water companies. The offer follows government approval for what will be the first merger since last year's privatisation of the UK water industry. If the Générale des Eaux bid is successful, it will gain control of what will be Britain's seventh largest supplier, reports **Andrew Bolger, Page 26**

Dutch funds fight back

The surprise decision by Rodamco, the Dutch property fund, to stop buying back its shares at net asset value, has proved a major embarrassment for its parent Rodamco, the largest independent investment group outside the US. Rodamco, already facing stiff competition for funds, has been at pains to emphasise that it will not adopt a similar about-face on its equally important share and bond funds. Rodamco's decision is seen as a sign of the Dutch group's damage limitation exercise. **Page 29**

Going, going, gone

Public is out and private is in. As sell-off mania sweeps the globe, Argentina and Malaysia are taking up the standard. Telekom Malaysia, the state-owned telecommunications monopoly, is the first. Malaysian state company formally to launch its flotation and as many as 10 more enterprises are privatisation targets. **Lim**

Along Hoon reports on how Kuala Lumpur is speeding up its sell-off plans. Meanwhile, Spain's public companies are taking control of key sectors of the Argentine economy in President Menem's (above) privatisation fire-sale. **John Barham reports, Malaysia, Page 28; Argentina, Page 26**

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Chief price changes yesterday

FRANKFURT (DEM)			PARIS (FFP)		
Bank	405	+ 37	Bank	751	+ 25
Deutsche Bank	405	+ 37	Deutsche Bank	751	+ 25
Deutsche Bank	405	+ 37	Deutsche Bank	751	+ 25
Deutsche Bank	405	+ 37	Deutsche Bank	751	+ 25
Deutsche Bank	405	+ 37	Deutsche Bank	751	+ 25

LONDON (GBP)			LONDON (GBP)		
Bank	405	+ 37	Bank	751	+ 25
Deutsche Bank	405	+ 37	Deutsche Bank	751	+ 25
Deutsche Bank	405	+ 37	Deutsche Bank	751	+ 25
Deutsche Bank	405	+ 37	Deutsche Bank	751	+ 25
Deutsche Bank	405	+ 37	Deutsche Bank	751	+ 25

Siemens launches computer group

By Alan Cane in Frankfurt

SIEMENS-Nixdorf Informationssysteme (SNI), the German computer company formed from Siemens' takeover of the ailing Nixdorf Computer, has received several overtures from potential partners. Dr Hans-Dieter Wiedig, chairman and chief executive, revealed yesterday.

The new company, formally launched yesterday, is the largest European-owned computer company, and the eighth largest in the world. Combined global sales of Nixdorf and the Siemens information technology division in the year ended September were DM1.5bn (\$830m). They are fore-

cast to rise about 10 per cent this year, in line with the projected growth in the European computer market.

Dr Wiedig pledged that SNI's goal was to halt Europe's decline in data processing. The European computer industry is dominated by International Business Machines of the US with Japanese manufacturers, led by Fujitsu, Hitachi and Toshiba, mounting a strong challenge.

Dr Wiedig said SNI "could well become the focal point for further consolidation of the industry in Europe". But his first task was to achieve the successful combina-

tion of Siemens' information systems group and Nixdorf. He believed it would be 1992 before the two companies' product lines would be harmonised.

He specifically ruled out, for the time being, a merger or partnership with financially-troubled Bull, the French state-owned group. Last month, the French government, which has regarded Bull as a national champion — broke with tradition by urging the company to seek a partner to share costs.

Dr Wiedig said Siemens had been looking for a partner to help it open up new markets when the

opportunity to acquire Nixdorf came up. He had expressed strong reservations about a merger with ICL of the UK, which has since agreed to be taken over by Fujitsu.

"I refused a deal with ICL because there would have been no synergies," he said.

Dr Wiedig said SNI considered itself a European company with the European market as its first objective. But the company would also be expanding in North America.

Dr Wiedig declined to disclose what earnings he expected SNI to record for fiscal 1991, but men-

tioned the goal of "positive operating profit" for the year. The company's "start-up phase will be helped by the excellent state" of Siemens' data processing division, where sales grew 11 per cent in the first 11 months of the last year.

By contrast, Nixdorf had a net group loss in 1989 of DM1.07bn on sales of DM5.5bn. But Mr Horst Nasko, a member of the SNI managing board and former chairman of Nixdorf Computer, noted that Nixdorf's losses "were not yet satisfactory", but at least the "trend was in the right direction".

Swedish finance crisis near solution

By Robert Taylor in Stockholm

THE CRISIS that hit three of Sweden's leading finance companies last week appeared to be drawing to a satisfactory close last night after four days of intensive discussions with the leading banks and the companies' main creditors.

Mr Anders Sahlen, director of Sweden's Bank Inspection Board, said yesterday that it would require the injection of between SKr2bn (\$347m) to SKr3bn of capital into the affected companies to strengthen their financial base and help restore market confidence in their activities.

A combination of gloomy domestic economic forecasts and concern over the companies' UK property investments led to last week's suspension of shares in three finance companies and three other concerns with which they are linked. The finance companies faced liquidity problems after Swedish institutions became wary of trading in their commercial paper.

Three of the companies, Gamblestad, restarted yesterday after being stopped at the group's own request last Friday.

This followed the injection of SKr500m into Gamblestad by its main shareholder, the financier Mr Erik Fensler, and his group. Gamblestad's risk capital has risen to SKr2.5bn as a result, and its position has been strengthened by firm support from all the major Swedish banks.

But agreement has yet to be finalised on a rescue for Nyckeln, the first finance company to be suspended by the stock market early last week after reporting a drastic fall in its profits forecast from SKr175m to SKr25m for this year. That was mainly because of the falling value of its property investments in London.

Yesterday Beijer Capital, Nyckeln's main shareholder, announced it was selling off its financial services business valued at SKr2.5bn to Spontel, the Finnish investment company which is a subsidiary of Forssbergshanken in Helsinki.

The terms of the deal were not disclosed, but it is believed the proceeds will help strengthen Nyckeln's capital base.

Negotiations have still to be completed over Infina/Independent, the third crisis-hit finance company whose main shareholder is Fermenta.

Infina revised its expected losses last week to SKr325m for the year, compared with a profit of SKr96m in 1989.



Asil Nadir: his company, Polly Peck, is trying to avert a liquidity crisis

Polly Peck dropped from FT-SE

By David Barchard, David Lescellier and Clay Harris

BANK LENDERS to Polly Peck International plan to meet later this week to discuss a proposed package to consolidate the company's borrowings.

The fruit trading and consumer electronics group, headed by Mr Asil Nadir, is trying to avert a liquidity crisis. This has arisen because of the uncertainty caused by Polly Peck's silence since the suspension of its shares on September 20.

The suspension yesterday cost Polly Peck its place in the FT-SE 100 index of leading UK companies. The steering committee, which oversees the index, said that Delcity, the food and agribusiness group, would replace Polly Peck today.

Directors met again for several hours at Polly Peck's headquarters. By early last night, however, the company had not said whether it would give a long-awaited statement to the stock exchange today, as it suggested before the weekend.

The meeting of bank lenders later this week is intended to discuss a package of bridging finance, according to one Turkish banker. He said: "Disposals under present market conditions seem to be out of the question and as so many of Mr Nadir's loans are unsecured, the banks have little choice but to back him."

Turkish banks were expected to play a key role in any package after the weekend meetings in New York between Mr Nadir and Turkish officials including Pres-

An end to the £30bn walk around the City

Mr Jamie Smith is used to spending his afternoons leafing through piles of paper worth millions of pounds, checking the mounds of Certificates of Deposit and Treasury Bills that are at the Bank every afternoon. From now on, however, Mr Smith, assistant manager in the bank's back office, will be able to watch parcels of securities arriving on screen.

His first deliveries took place yesterday as the Bank of England's electronic trading system for the UK money market came on line. The system — known as the Central Money Markets Office (CMO) — got off to a slow start. Its first day embraced just the most recent tender of T-bills, and was showing few transactions as users remained slow to adapt to the system. Next week it will be faster when Certificates of Deposit — by far the largest portion of the £300bn UK money market — are included.

The CMO will eventually remove the daily trek of £300bn-worth of money market instruments around the streets of London. The need for it was highlighted in May when a messenger was robbed of £22m of bearer securities — financial instruments which are technically owned by whoever holds them.

"The biggest benefit in the system is that it removes an enormous amount of the potential security risk and allows trading to happen much more quickly," explains Mr Rob Bennett, in the settlements department of UBS Phillips & Drew, the UK brokerage arm of the big Swiss bank.

Most of the business to be taken over by the CMO involves the movement of collateral between money brokers and banks as part of their stock-lending operations. Brokers currently send packages of money market instruments to be held by banks in return for loans of gilt-edged and other securities.

All this paper is now physically carried between banks where back office staff check, count and validate it, then keep it in their vaults overnight.

Secondary market trading in these instruments, which is restricted to the number of times messengers can walk the paper around the city. Some banks and discount houses have curtailed their afternoon trading to give the messengers time to deliver everything before settlement, which takes place each evening.

Since the CMO will speed up the transfer of instruments, it will offer dealers more flexibility over the length of their trading day.

Under the new system, which is closely modelled on the Bank of England's Central Gilts Office, securities will be able to change hands in a matter of minutes, in line with other financial cases where electronic settlement has existed for years.

The Bank was forced to set up the CMO after a private-sector initiative called Londonclear collapsed two years ago because of disagreement among banks over its structure and funding.

"The CMO simplifies back office operations because it is replicating the transfer of ownership currently done by physical means. This will make the market much more efficient," the Bank of England says.

The users of the new system do not expect it to save them much money in the short-term, however, since they will not dispense

with the use of messengers who carry other data between banks and brokers.

The CMO is not a trading system for the money market — trading will continue to be done over the telephone. But the system will provide a central depository for these instruments at the Bank of England, and allow trades to be settled on the system through the electronic transfer of the instruments.

It has been debilitating for trading to physically walk places of paper back and forth across the city. It has limited volatility and the ability of the market to trade when interest rates are moving rapidly, one major player commented.

The Bank has so far signed up 46 members among the money market's major participants to trade on the system.

It costs over £20,000 a year for membership and screen rental for users of the system; there is also a fee of 25p per transaction and a payment for storage of documents. Smaller players which find the fixed costs of joining prohibitive will settle their deals through larger banks like Midland.

The Bank of England's long-term aim is to remove the need to create money market instruments on paper. This could require a change in legislation, however.

Current legislation currently requires one holder for the title of each piece of paper. Mr Michael Murdoch, markets development manager at Midland Bank, would like to see the Bank of England move, within 18 months, to a global note system where a single piece of paper is created and split to portions of it is allocated within the electronic system. This is similar to the system in the US equity market. If this were to happen, the money market could be the first of London's financial markets to "dematerialise".

British Steel would like to inform termites that the buffet is now closed.



When the railways came to Africa, they brought good news.

Whole countries now had a fast and efficient form of long distance transport. And in the tropics, the termites now had a restaurant.

Mile after mile of wooden sleepers: a running buffet as far as the eye could see.

Enter the British Steel sleeper.

It's lighter, stronger and longer lasting. It has also stopped a lot of termites from going into the atmosphere. And a lot of trees from going off to the saw mill.

In fact, it's better all round. Although it has rather spoilt the party for the termites.



British Steel: adding value

INTERNATIONAL COMPANIES AND FINANCE

Skandia to list in London under EC mutual rules

By Richard Lapper in London

SKANDIA GROUP of Sweden is about to become the first European insurer to be listed on the International Stock Exchange in London under European Community rules which provide for mutual recognition of listing procedures between EC member states.

Skandia, Sweden's biggest insurer and one of the world's top 10 re-insurers, lodged the listing application yesterday, and the stock exchange is expected to grant permission for the company to list its shares tomorrow.

Klausen & Benson, the UK merchant bank, and Sweden's Enskilda Securities expected to make a market in the shares when dealing begins on Thursday. The mutual recognition procedure, introduced earlier this year, allowed Skandia to use the same prospectus as the one drawn up for its listing in Copenhagen last week.

Mr Bjorn Wolrath, chief executive, said a conventional London listing would have been more time-consuming and expensive. Skandia was planning no new share issues, but aimed to make more use of international capital markets.

Skandia has already extensively used the London market - 2m of the company's shares exchanged hands there in the first eight months of this year - but is seeking a formal listing to reinforce its programme of international expansion,

according to Mr Wolrath. He is also keen to build a following for Skandia among London market analysts.

Skandia is emphasising the development of life, personal, and small commercial lines business in Europe. Its unit-linked life business, developed in the UK by Skandia Life since the late 1970s, is an important growth area.

New unit-linked life operations have been established in Switzerland and the US. Following imminent legal changes in Sweden, Skandia should be able to sell unit-linked life business at home. Future plans include the opening of life operations in Germany.

Mr Pohjola of Finland said it was co-ordinating its re-insurance business with Skandia International, a Skandia subsidiary, Reuter reports.

Mr Markku Paakkkanen, Pohjola's head of re-insurance, said Pohjola would not write life re-insurance from January 1 and would limit its non-life re-insurance. This would reduce its re-insurance business by about \$50m. The aim was that Skandia would renew this business.

Mr Paakkkanen said re-insurance had lost money for Pohjola, as for many other insurers. The co-operation agreement would leave Pohjola with the company's business that could produce profits.

Robeco invests heavily in limiting reputation damage

The events of the past few days have proved a rude awakening for Robeco, the venerable Rotterdam-based investment group which is unused to being in the spotlight.

Dutch financial institutions are not given to sudden changes of direction. The upheavals at Rodamco, the Dutch property fund which belongs to Robeco, were, therefore, an embarrassing blow which have partially tarnished the parent company's image.

It is now just over a week since Rodamco abruptly stopped buying back its shares at net asset value, and Robeco is doing its best to reassure investors that it has absolutely no intention of doing the same about-face on its equally important share and bond funds.

This damage limitation is significant, for even without Rodamco's worry about Robeco has been faced with a series of challenges. Still the market leader in Dutch retail investment, it has had to confront stiff competition for clients' funds from insurance companies and pension schemes as well as from other investment funds.

Robeco, whose "flagship" fund of the same name was founded in 1933, is the largest independent investment group outside the US. Its name stands in Dutch for the Rotterdam Investment Co-operative. After nearly 60 years of investing, the group has amassed shareholders in 80 countries, though the Netherlands still

generates nearly three-quarters of its business.

Its investments in shares, bonds and property are spread more internationally than its shareholders, with North America, Europe and the Far East each accounting for roughly one-third. The pattern differs greatly from fund to fund.

The Robeco group has produced solid returns over the years, but its recent performance has been modest, in keeping with difficult conditions on world capital markets.

Robeco, with total funds under management of \$145bn (\$25.7bn), owes part of its reputation to the ease with which investors can switch in and out of the group's share, bond and property funds by using the Ro-giro gital system.

Korteweg, Robeco's chairman, said in an interview with *World Business Tonight*.

Mr Korteweg has described the Rodamco move as the equivalent of giving up a cherished ideal. "That ideal - not only at Rodamco but at the entire Robeco group - is to make investments - whether they be in property, shares or bonds - as liquid as possible, wherever possible, so that large groups of investors have

surprise announcement, its share price plummeted by 18 per cent and the four funds of the Robeco group accounted for half of all equity volume in Amsterdam. Yesterday, Rodamco fell another 30 cents to finish at \$158.30, while Robeco improved \$1.20 to close at \$154.30.

Analysts say the Rodamco crisis has hurt Robeco's image, at least in the short term, but that it should be able to

weather the storm. "This has caused a dent in its image, but the damage is certainly not beyond repair," says Mr Kokko Tulin of Kempen & Co in Amsterdam.

In the wake of the Rodamco about-face on share buying, Ronald van de Krol finds the Dutch property fund's owner busily reassuring shareholders that its share and bond funds will remain open-ended

Estates, a UK property developer, boosting its assets by almost half in 1989, it tried to repeat this success by launching a £1.3bn hostile bid for Hammerson, Britain's third largest property group, but it lost the bidding war to the Scottish insurer Standard Life.

"Rodamco had a brilliant image," notes Mr Andre Mulder, an analyst at Barclays de Zoete Wedd Nederland. "For a long time it was seen as the way to invest in property."

Rodamco's recent predicament means that it will probably never return fully to an open-ended policy, even after the current crisis passes.

The irony of Robeco's setback is that after years of successfully striving to make property investment no different from share and bond investment, it is now having to stress to investors that there are, in fact, differences between these three markets.

For while the underlying shares and bonds in the other funds could be liquidated at will to raise the cash needed to buy in shares, property investments are by nature illiquid and cannot be disposed of easily without suffering losses.

Robeco has never had to dwell on these distinctions before in its worldwide marketing efforts. A resumption of its strategy is now inevitable.

Analysts accept Robeco's argument that Rodamco is a special case unlikely to be repeated elsewhere in the group. They point out, how-

ever, that this is tantamount to an admission by Robeco that the Rodamco concept was seriously flawed from the outset.

The defects are only now coming to light because of severe downturns in the US, UK and Japanese property markets, they say. More than 65 per cent of Rodamco's property holdings are concentrated in two markets, the US and the UK.

Meanwhile, the race for institutional investors is also intensifying. On Thursday, Fidelity Investments of the US - the only independent investment group in the world bigger than Robeco - unveiled a new \$1-fund investment package in Amsterdam aimed at Dutch institutional investors.

To cope with the challenge of growing competition, Robeco announced in May that it was entering into a strategic alliance with Rabobank, the Dutch co-operative bank, whose 2,000 branches will carry only Robeco products once the co-operation pact is finalised.

Robeco has also been casting around for new ways of expanding internationally. Earlier this year, it transformed its Geneva office into a Swiss bank in an attempt to woo wealthy investors by offering them banking services such as current and deposit accounts.

The bank has opened an office in Frankfurt to penetrate the potentially rich German market. Currently, Robeco's biggest market outside the Netherlands is France.

Esselte sells printing units

By Jack Burton in Stockholm

ESSELTE, the Swedish office products group, yesterday continued to divest itself of its publishing and media interests by selling its printing operations - its original business - in a management buy-out.

The new owners will consist of executives from Esselte's four printing companies, which have an annual combined turnover of \$162m (\$48.6m), as well as Skandinaviska Enskilda Banken, Sweden's largest commercial bank

group, through its subsidiary Scandinavian Acquisition Capital, which will provide capital and debt financing.

Plans call for the printing companies to be combined into a new concern to be listed on the Stockholm bourse.

Esselte has made good progress in disposing of assets outside its core business of office products as part of a shake-up to increase profits. It expects to sell shortly its remaining media operations, including the pay TV channel Filmnet.

Tootal declines 17% to £16m

By Jane Fuller in London

TOOTAL Group, the UK textiles concern in which Coats Vytella retains a 29.9 per cent stake after an aborted merger, suffered a fall in pre-tax profit of 17 per cent to £16.01m (\$30m) in the six months to July 31.

In thread, which accounted for 41 per cent of sales and where the merger would have created the world's biggest single force, trading profit was down by 10 per cent.

Group turnover advanced by 5 per cent to £266.81m. Mr Geoffrey Maddrell, chief executive, said that ongoing activities would have led to a 12 per cent sales increase at constant exchange rates.

Most of the £2.5m fall in pre-

tax profit was due to the phasing out of the De Gama South African business and the sale of Sandhurst, an office supplies subsidiary. A £2.5m profit from the De Gama sale was included in group profit.

Mr Maddrell said 40 per cent of trading profit came from Asia and continental Europe, where sales had grown 30 per cent. The UK's profit contribution was 35 per cent, while the US was responsible for 30 per cent.

In thread, sales increased by 5.5 per cent to £117.52m, but trading profit fell to £6.32m. The strengthening pound had adversely affected the figures, he said.

Performance ranged from strong growth in Hong Kong and China, where profit margins were more than 15 per cent, to the UK, which was still causing concern after a cost-cutting exercise involving 200 redundancies. The North American market had also softened.

Sales and profit growth in the fabric division was more than 20 per cent, at £62.73m and £2.45m respectively. Mr Maddrell said last year's move into southern Europe had paid off.

Earnings per share fell 22 per cent to 3.52p as the tax rate rose from 37 to 33 per cent. See *Lex*, Page 24.

COMPANY NEWS IN BRIEF

GREY, the New York-based marketing group, bought a minority holding in Malenyty, one of the largest advertising agencies in Finland, writes Alice Rawsthorn. Malenyty will be renamed MY & Grey. Grey group is the largest player in Finnish advertising with billings of \$125m.

Scandinavian Airlines System said Finland's Finnair had bought a 10m minority stake in its SAS International Hotels (SIH), agencies report. SIH has 25 hotels in Scandinavia, Hamburg, Brussels, Amsterdam and Vienna. It also has a 40 per cent stake in the international Hotel chain. Finnair is investing \$10m in an issue of SIH preferred and convertible

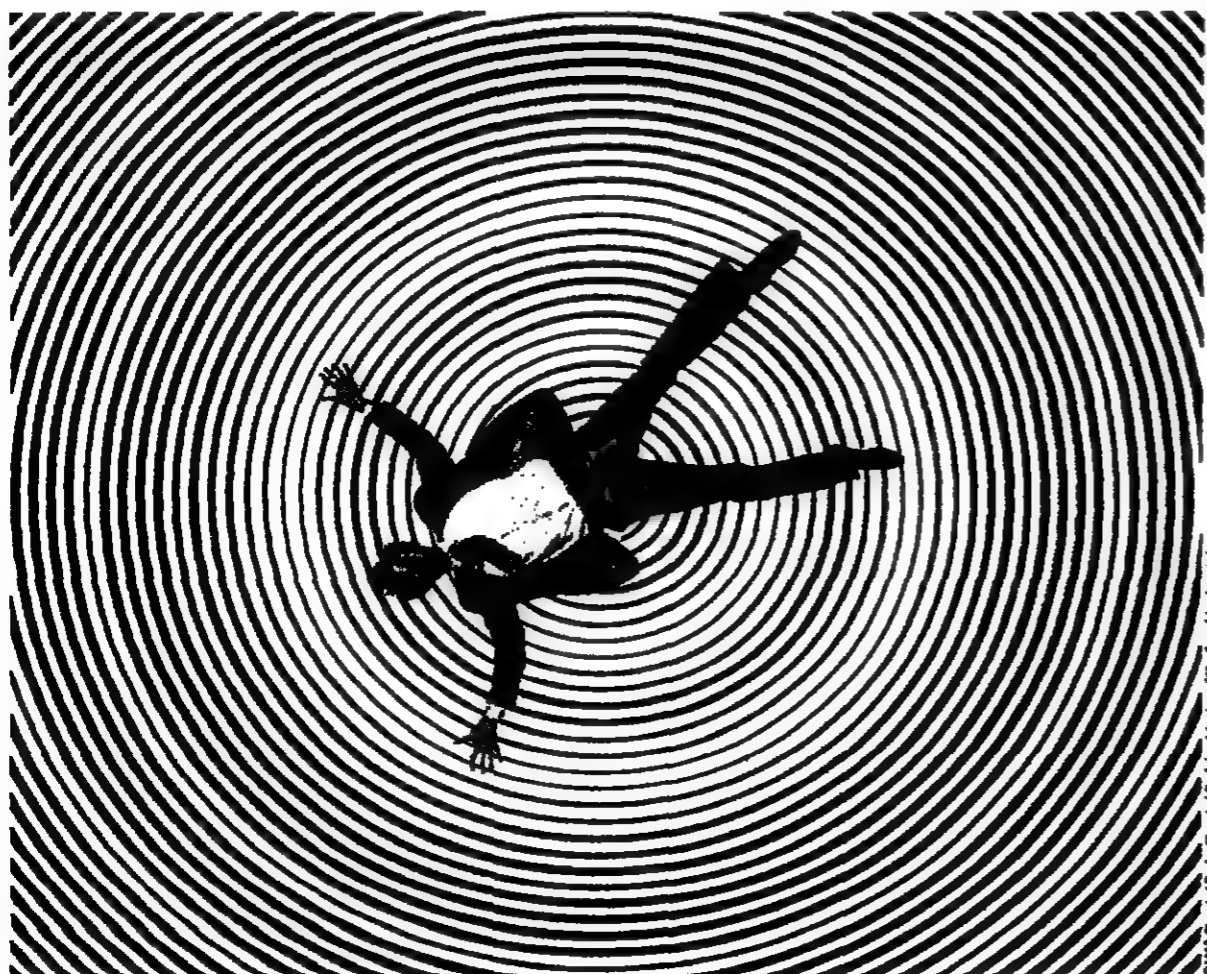
shares. SAS did not say what percentage of SIH the purchase represented, but said the deal was part of a co-operation accord signed between Finnair and SAS in 1989.

Trelleborg, the Swedish conglomerate, said its subsidiary Boliden Intertrade had acquired US Tennessee Chemical Company (TCC) for an undisclosed sum. Trelleborg said TCC was a producer of sulphuric acid and had an annual turnover of \$70m. Boliden Intertrade is one of the world's largest traders of sulphuric acid.

Lyonnais des Eaux-Dumet, the newly created French water and construction com-

pany, has bought stakes in Italian and Canadian companies with a combined turnover of about FF400m (\$76.3m). The company said it took a 45 per cent stake in Canadian water analyst Zenon Environmental Laboratories, which had a turnover of FF60m in 1989. It also bought 30 per cent of CREA, the Italian sewage treatment company, with a FF350m turnover.

Deutsche Aerospace (DASA), the Daimler aerospace unit, signed an agreement with US General Electric's astro-space division to co-operate on commercial satellite transmission. DASA said the agreement would increase both companies' market potential.



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Agent: Morgan Guaranty Trust Company
JPMorgan

NIIPPON STEEL INTERNATIONAL FINANCE Plc
US \$12,000,000
Floating Rate Notes 1992

Interest Period: 28th September 1990 to 27th December 1990
Interest Rate: 0.085076% per annum

Interest Payment due 27th December 1990 per US \$100,000 Note US \$2,367.86

Nippon Credit International Limited
London
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The Financial Times proposes to publish this survey on:

FRIDAY 9th NOVEMBER 1990

For full editorial synopsis and advertisement details please contact

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FINANCIAL TIMES
STANDARD BUSINESS PUBLICATION

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LEGAL NOTICES

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Registered number: 202600
History of business: Distribution agents
Trade classification: 45
Date of appointment of joint administrators: 21 November 1989
Names of persons representing the joint administrators:
J P M
John Martin Ireland and John Michael Thompson
Joint Administrative Receivers
(Joint holder numbers 294 and 295)
Clerk: Gully
Gully House
3 Noble Street
London EC2V 7DQ

DEN NORSEK STATIS OLJEFORSKAP A.S.
(STATOLJ)
FF 750,000,000

In accordance with the terms and conditions of the Note issue it is hereby given that the Rate of Interest for the Interest Period 28th September 1990 to 31st December 1990 has been fixed at 10.4717% per annum. The interest payable on the relevant Interest Payment Date, 31st December 1990, will be FF272,535 per FF100,000 Note and FF272,535 per FF100,000 Note.

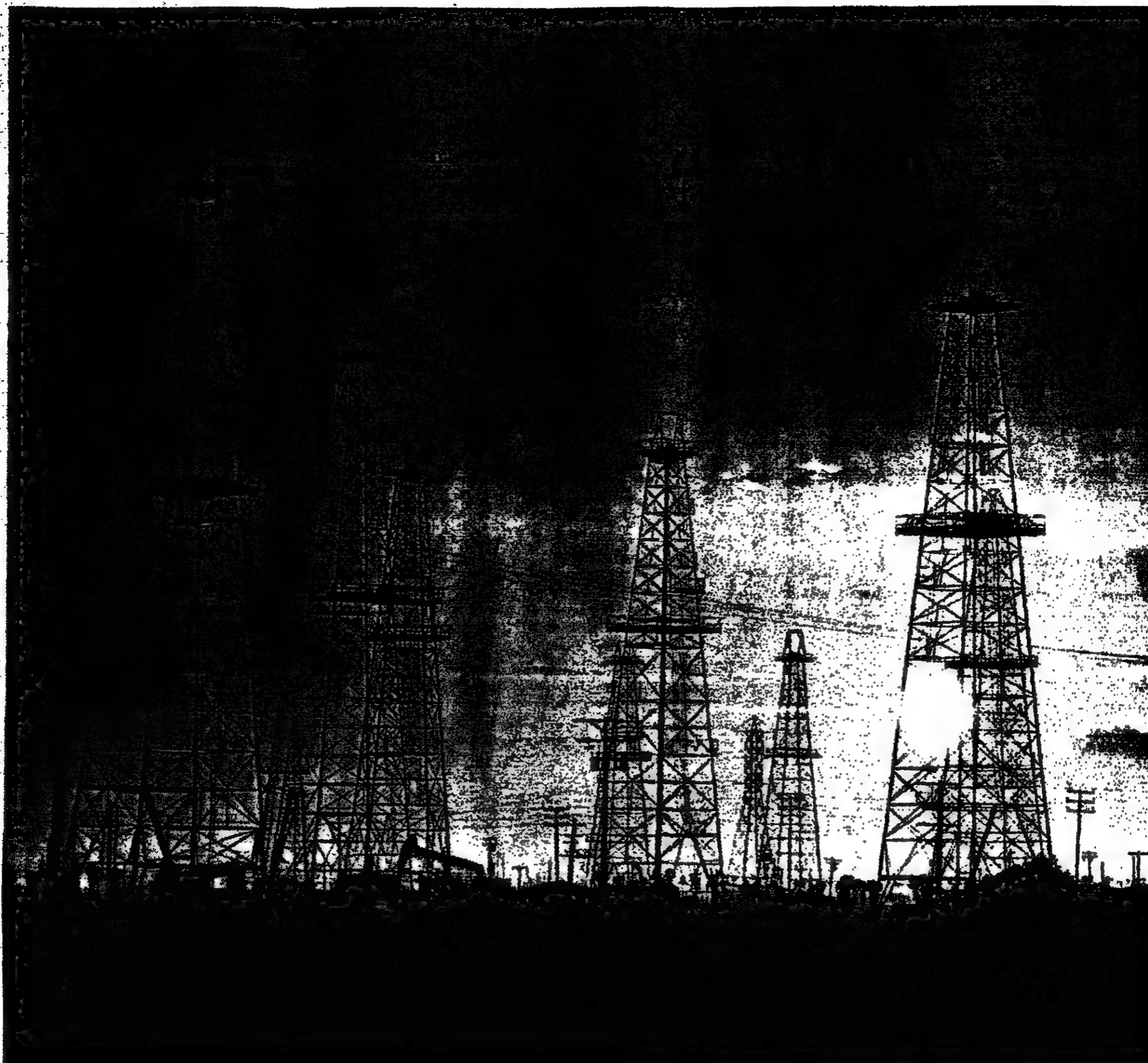
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Notice to the Holders of Canadian Pacific Limited

U.S. \$75,000,000 Retractable Debentures due 1990/1999 (the "Debentures")

NOTICE IS HEREBY GIVEN that pursuant to paragraph 2.02(2)(b) of the Trust Indenture pertaining to the above-captioned issue the Debentures shall bear interest for the interest period commencing on October 15, 1990 and ending on October 14, 1995 at 9.50% per annum.

Any Debentureholder may, upon giving notice accompanied by such Debenture to any of the Paying Agents listed below on or after September 28, 1990 but not later than October 5, 1990, irrevocably elect to have such Debenture redeemed by Canadian Pacific Limited on October 15, 1990 at a redemption price equal to 100% of its principal amount together with accrued interest to October 15, 1990 whereupon Canadian Pacific Limited will become obliged to redeem such Debenture at such price on such date. Pending completion of such redemption, the relevant Paying Agent will hold such Debenture to the order of the Debentureholder. Such notice of election must be in a prescribed form, which will be available at the office of each Paying Agent specified below.

Each Bearer Debenture payable on redemption must be surrendered for payment with all unexpired coupons appertaining thereto, failing which, in the case of coupons maturing for payment on or prior to October 15, 1990 the amounts of any such unexpired coupons will be deducted from the sum due for payment and, in the case of coupons maturing thereafter, payment in respect of such Bearer Debenture shall be made only on such terms as to evidence and indemnification as Canadian Pacific Limited with the consent of the Principal Paying Agent may require. Each amount so deducted will be paid, without interest, in the manner mentioned above against surrender of the missing coupon within a period of six years from the due date for payment thereon.

Each Registered Debenture payable on redemption prior to maturity thereof must be surrendered for payment with the form of transfer thereon duly executed. Interest upon the principal amount of the Debentures elected for redemption shall cease to be payable from and after October 15, 1990.

Paying Agents
Bank of Montreal
11 Water Street
London EC4N 3ED

Morgan Guaranty Trust Company
of New York
Avenue des Arts 35
B-1040 Brussels
Belgium

Kreditbank S.A. Luxembourg
43 Boulevard Royal
L-2955 Luxembourg

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First Canadian Place
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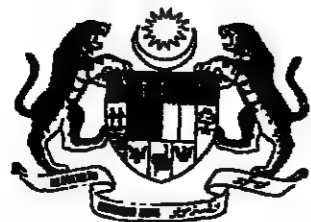
Swiss Bank Corporation
Aeschenvorstadt 1
CH-4002 Basle
Switzerland

Bank of Montreal Trust Company
77 Water Street
New York, N.Y. 10005

DATED: LONDON, October 2, 1990
For and on behalf of
Canadian Pacific Limited by
BANK OF MONTREAL
Principal Paying Agent

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / September, 1990



\$200,000,000

Malaysia

9 3/4% Bonds Due 2000

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Campeau increases midway net loss by 68%

By Bernard Simon
in Toronto

A HUGE debt-service burden, reduced operating income and asset writedowns pushed Campeau Corporation, the ailing Canadian real estate and retailing group, into another big loss for the six months to July 31.

The net loss was US\$321m, or US\$7.56 per common share, up from \$191m (\$4.53 a share) a year earlier. The company, whose US department store subsidiaries, Federated and Allied, filed for Chapter 11 protection from their creditors this year and which is struggling to extract concessions from its lenders, had a shareholders' deficiency of \$28m on July 31, against \$1.7m a year earlier.

Operating income slid to \$234m from \$425m. Financing costs totalled \$431m, down from \$575m a year earlier. Campeau's long-term debt totalled \$2.5m on July 31.

The 1990 loss does not include \$138m of interest on unsecured debt of the department store groups, nor \$24m in dividends on Allied's preferred shares.

Besides the financing burden of the \$10m takeover of Federated and Allied, Campeau's core real estate operations have been hit by the steep downturn in the North American commercial property market. Operating income from real estate plunged to \$2m from \$75m, due largely to a \$56m provision on a mixed-use development in Boston.

The latest results include a \$23m writedown on unsold real estate assets.

Campeau's future hinges largely on negotiations to extract debt standstill agreements from two creditors - US shopping mall developer Mr Edward J DeBartolo and Ultrama & York Developments of Toronto.

The company last week extended until this Wednesday a deadline for renegotiating the terms of a \$480m of debt owed to Mr DeBartolo.

Campeau defaulted on the debt last January, and Mr DeBartolo can seize collateral on nine days' notice.

Its shares were trading at 86 cents in Toronto yesterday, compared with last year's peak of C\$22.75.

The bright spot is Ralph Grocery Company, a California supermarket chain not in Chapter 11, whose operating profit rose to \$90m from \$85m.

Wal-Mart buys distributor

WAL-MART, the fast-growing US retail chain, yesterday announced it was boosting its distribution operations by buying McLane Company, a privately-owned Texas group, writes Nikki Tait in New York. McLane had sales of more than \$2.6bn last year and serves about 26,000 stores nationwide.

It has 14 distribution centres in 11 states, with some weighting towards the west and south. Wal-Mart said that these would continue to service their existing customer base, as well as Wal-Mart outlets.

INTERNATIONAL COMPANIES AND FINANCE

Time running out for ENTel deal

By John Barham in Buenos Aires

MANUFACTURERS Hanover, Bell Atlantic and a group of Argentine investors are still having difficulty scraping together the funds to complete their bid to take over half of ENTel, Argentina's state-owned telephone company.

Ms Maria Julia Alsogaray, ENTel's administrator, said yesterday that the October 4 deadline for signing the sale contract was "irrevocable". But banks in Buenos Aires say the consortium still faces difficulties in getting together the cash and debt-for-equity instruments.

President Carlos Menem said that, if Manufacturers Hanover, Argentina's largest commercial bank creditor, was unable

to meet the deadline, its bid would be cancelled and a group led by Morgan Guaranty Trust, third in the original bidding battle for ENTel, would take its place.

Telefonos de Espana and Citibank, the group chosen to run the other half of ENTel, would take over operation of all ENTel services until Morgan, or another buyer, could assume control.

The ENTel sale is President Menem's first large privatisation. Iberia and its Argentine partners made a \$130m payment towards the Aerolineas deal last week. However, the group faces political opposition to its plan to finance the purchase through a sale and lease

back of some of the airline's aircraft. The Manufacturers Hanover group offered to pay \$100m in cash plus \$2.5m in Argentine debt certificates for ENTel. These certificates are now valued at 10 per cent of face value on the secondary debt market.

However, it has failed to convince other creditor banks to swap their Argentine debt certificates for shares in ENTel, meaning that:

It may not sign the sale contract. The contract binds the government to turning over ENTel on October 9 and commits the buyers to provide the necessary cash and debt paper on the same day.

Modern Armada enters Argentina

John Barham on Spanish moves into an economy starting to go private

Two years before Spain celebrates the 500th anniversary of Christopher Columbus's journey to the Americas, Spain's public companies are returning to take control of key sectors of the Argentine economy.

However, efforts by the Spanish government to encourage public and private investments in Argentina's troubled economy are running into problems.

The government of Mr Felipe Gonzalez has encouraged Spanish state companies to invest in Argentina, both to support President Carlos Menem's huge task of reforming the economy, and to encourage private Spanish companies to hunt for profitable opportunities in Latin America.

Mr Cesar Alba, chief of the Spanish embassy's commercial office in Buenos Aires, said: "Companies preparing for 1990 are finding they do not have any space in Europe and the government thinks there is great potential for growth in Latin America, once the necessary adjustments have been made."

Spain has become a net capital exporter. Last year saw an outflow of Ptas280.4bn (\$2.9bn), an increase of 23 per cent over 1988. However, Argentina is getting a smaller slice of the bigger cake. Its share of Spanish investments has shrunk to 1.3 per cent in 1989, from 1.7 per cent in 1988 and a high of 3.7 per cent in 1987.

Now, five large companies are spearheading the investment effort by participating in



Carlos Menem: huge task of reforming Argentine economy

Argentina's privatisation fire-sale.

• Iberia, the Spanish state-owned airline, with a group of Argentine investors, is acquiring 65 per cent of Aerolineas Argentinas, the Argentine national airline.

• Telefonos de Espana, the telephone company part-owned by the Spanish government, plans to take over half of ENTel, Argentina's telephone company, with a group of Argentine banks and Argentine investors. "This could be increased to the entire company."

• Renfe, the Spanish railway company, Repeval, the state oil company, and Union Electrica Fenosa, an electricity company part-owned by the government, are in the running to buy other Argentine government assets.

Madrid has also offered Argentina a soft loan and investment package worth

\$1bn, although disbursement of the funds is lost in Argentina's labyrinthine bureaucracy.

Argentine assets are reasonably cheap. It has impressive undeveloped natural resources and industry has spare capacity.

Above all, President Menem's privatisation programme is underpinned by debt-for-equity conversions, in which foreign banks accept heavy discounts on their Argentine loans by swapping them for shares in companies or selling them to investors.

For instance, Iberia and its partners, the only group to bid for Aerolineas Argentinas, are to pay the government \$130m cash and \$130m spread over five years, plus Argentine debt worth a nominal \$2m, part of which they are paying through shares in Aerolineas.

Some believe that Spain's cultural and historical ties with Latin America make it easier for Spanish companies than for competitors from other countries to do business in Argentina.

Renfe has bid for a 30-year concession to run freight traffic on a 5,500km stretch of railway with a group of Argentine partners. But Spanish business executives are not rushing to follow the state companies' lead.

An executive of a state-owned Spanish bank (which is supposed to be encouraging investments), made this damning comment: "Argentine assets may be cheap, but it's an extremely chaotic, bureaucratic and corrupt country - there is no doubt that corrup-

tion blocks investments. "Nobody would invest in Argentina without the subsidy of debt conversions."

The \$1bn Spanish package is a truncated version of an earlier accord in which private Spanish and Argentine investors were to commit \$2m to Argentina.

The state companies' investment strategies hardly represent an unequivocal commitment to Argentina. Iberia will hold only 17 per cent of Aerolineas, and the group to which it belongs plans to finance the acquisition with a \$225,000 sale-and-lease-back of Aerolineas aircraft. But they are committed to investing \$90m in the company over the next five years.

Telefonos will hold only 20 per cent of ENTel. And Renfe could finance its Argentine rail concession by selling its obsolete rolling stock.

Yet partnerships and sophisticated financial engineering are ways of limiting risk and maximising profit from which private companies could learn. Furthermore, business confidence will grow immeasurably if Mr Menem sticks to his five market policies and applies the brakes to the monthly inflation rate of 15 per cent.

Should Telefonos and Iberia succeed in the awesome task of making their Argentine ventures well-organised and profitable, then, perhaps, private companies will think seriously about investing real money in Argentina, instead of recycling their foreign debt.

Unisys in launch of software

By Michael Staphinker in London and Louise Kahoe in New York

UNISYS, the US computer company, yesterday announced the introduction of software which would integrate its systems with those of other manufacturers.

The move follows last week's announcement that the company, the world's fourth largest computer manufacturer, was suspending payment of quarterly dividends on its common shares to reduce its debt.

Unisys also said it expected to report a loss for the current third quarter and to return to profitability in the fourth quarter.

Unisys, formed in 1986 following the \$4.8m acquisition of Sperry by Burroughs, has carried a heavy debt load since. At the end of the second quarter the company's long-term debt was \$3.6m.

The new products were introduced yesterday in London and New York.

Mr John Perry, chairman of Unisys in the UK, said: "The Unisys architecture is based on the recognition that organisations today are demanding the freedom and flexibility to choose the best solution, regardless of who the vendors are."

"They want to be assured that their systems will work together to form a cohesive, accessible information network."

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U.S. \$40,000,000
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Guaranteed Floating Rate Notes Due 1994



In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from 28th September 1990 to 28th March 1991 the Notes will carry an Interest Rate of 8 1/4% per annum and the Coupon Amount per US\$10,000 will be US\$400.50

Merrill Lynch International Bank Limited
Agent Bank

NOTICE OF PREPAYMENT

EUROFIMA
Société Européenne pour le Financement
de Matériel Ferroviaire

FF 300,000,000 11 1/4% Bonds due 1992
In accordance with paragraph 10 of the Terms and Conditions of the Bonds, notice is hereby given that Eurofima will prepay on November 7, 1990 the total amount remaining outstanding of the above-mentioned Bonds at 101% of their principal amount.

Payment of interest and premium due on November 7, 1990 and reimbursement of principal will be made in accordance with the Terms and Conditions of the Bonds.
Interest will cease to accrue on the Bonds as from November 7, 1990.

Luxembourg, October 2, 1990

The Fiscal Agent

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INTERNATIONAL COMPANIES AND FINANCE

Matsushita and MCA plan joint venture company

By Robert Thomson in Tokyo

THE Victor Company of Japan (JVC), a member of the Matsushita Electric group, yesterday announced agreement with MCA Music Entertainment, a unit of MCA of the US, to form a joint venture company to market recorded music in Japan and to promote Japanese recording artists.

JVC announced the deal yesterday because of rumours that the agreement was part of a Matsushita takeover of MCA, reports of which surfaced last week.

JVC made clear that the new record company is separate from any takeover negotiations and that the agreement should not be taken as a sign that

Matsushita will buy the MCA group.

The rush to end these takeover rumours has meant that few details are available about the new company, which will be equally owned by MCA and JVC/Victor Musical Industries, but which has yet to be named.

"We felt we should make this deal public because of the rumours. We have a memorandum of understanding, but the name of the company and of the president, and the amount of capital will come later," the spokesman said.

The new company will market all MCA artists in Japan, including those of Geffen Records, acquired earlier this

year and run by Mr David Geffen, and will begin operations after 1991, when current licensing agreements with Warner Music International expire.

Artists covered by MCA labels include Guns and Roses, Aerosmith, and Tiffany, while JVC labels cover a range of Japanese artists. The joint venture company will attempt to discover new Japanese artists and market them internationally.

The agreement fits the trend of Japanese consumer electronics makers seeking to expand their entertainment software networks, which is also the basis for Matsushita's interest in the MCA group.

Poor first half result for Straits Trading

By Joyce Quek in Singapore

STRAITS Trading Company (STC), the Singapore tin smelting, investment and property group, yesterday posted poorer half-time results.

Group turnover plunged 41 per cent to S\$86.2m (US\$55m) from S\$162.3m, and after-tax profits fell to S\$28.7m from S\$30.6m for the six months to June 30. However, the bottom line was relieved again by extraordinary gains of S\$13.5m, mostly from gains on the sale of investments set against write-offs.

The group forecasts that the second-half's net profits would approximate those of the first. However it said the impact of the Gulf crisis on world stockmarkets would effect investment income, a leading source of its revenue.

In 1989, higher dividends and contributions from Malaysian associate companies added S\$30.3m to profits. At the midway stage investment income dropped 13 per cent to S\$8.5m from S\$11.5m in the year-ago period. The earnings per share slipped to 8.2 cents from 6.9 cents in mid-1989. An interim dividend of 4 cents has been declared.

The cash-rich STC had looked forward to 1990 as its strong balance sheet would enable it to respond to investment opportunities. The group's properties had good occupancy rates. Its namesake buildings in the prime central districts in Singapore and Kuala Lumpur, Malaysia, benefited from the prevailing high rental rates.

Henderson Land up at HK\$1.74bn

By Angus Foster in Hong Kong

HENDERSON Land, a leading Hong Kong property company, has announced a 33 per cent rise in the year to end-June.

The company announced after-tax profits of HK\$1.74bn (US\$225m) against HK\$1.31bn last year.

The company is recommending a final dividend of 14 cents a share.

VW competes for Skoda stake

By Kevin Done, Motor Industry Correspondent

VOLKSWAGEN of Germany and the newly formed alliance between Renault and Volvo have submitted competing bids to take substantial equity stakes in Skoda, the Czechoslovak car maker.

VW made its presentation to Skoda yesterday, while Renault and Volvo submitted a joint bid late last week. It is expected that Skoda and the Czechoslovak government will make a final decision on the competing bids within the next four weeks.

Under the terms of the Franco-Swedish bid it is understood both Renault and Volvo would directly hold shares in Skoda. Renault and Volvo agreed last week the final terms of their far-reaching alliance under which they will take 25 per cent cross-holdings in each other's car operations and 45 per cent cross-holdings in their respective truck operations.

The bid for a stake in Skoda is the first time that the two companies have sought to make a joint approach to another vehicle maker.

Skoda, which produced 183,000 cars last year, has been one of the main targets for western car makers seeking an entry into eastern Europe. Advised by Price Waterhouse, the international business consultants, Skoda originally examined approaches from eight European and US car makers, before seeking final



Fehr Gyllenhammar, chairman of Skoda, said a visit to Prague

was from VW and Renault.

Mr Zdenek Patocka, Skoda deputy general manager who has led the joint venture negotiations, said earlier this year that Skoda would prefer to keep majority control of any joint venture and that it was keen to maintain the Skoda marque, but he said "it could be possible for the state to give up majority control".

Of Skoda's output last year of 183,000 cars, some 50,000 were exported to western markets.

The competition between VW and Renault was intensified last month when Mr Raymond Lévy, Renault chairman and chief executive, visited Prague - along with Mr Fehr Gyllenhammar, chairman and

chief executive of Volvo - as part of a French delegation led by President François Mitterrand and including five French government ministers.

Mr Patocka said earlier this year that Skoda's priorities were to satisfy the Czechoslovak domestic market and to maintain exports to western markets to earn foreign currency and to ensure access to materials from western suppliers.

Skoda was aiming to double car output during the 1990s, said Mr Patocka, in collaboration with a western partner. It was seeking to increase production of its present Favorit range, which was styled by Italy's Bertone, to 250,000 by 1994/95, and was aiming also to double exports to maintain sales in western markets at 25 to 35 per cent of production.

The Czechoslovak motor industry is seen as the most advanced in eastern Europe, and western vehicle makers are also competing to establish joint ventures with BAZ, the Bratislava automotive works, which is seeking to set up a modern assembly venture for light commercial vehicles.

Separately, General Motors of the US is hoping to finalise a deal with Czechoslovakia - most probably with BAZ - in the next few weeks for the manufacturing of car gearboxes as part of its ambitious moves into eastern Europe.

Malaysia redials privatisation line

Lim Siong Hoon on how Kuala Lumpur is speeding up its sell-off plans

TELEKOM Malaysia, the state-owned telecommunications monopoly, which formally opened its doors last week, marks the start of the Malaysian government's move to shift its privatisation programme into top gear.

As many as 10 of Malaysia's largest agencies and commercial enterprises, from heavy industries to property development, are now the targets for the change-over.

National Electricity Board, the power monopoly, was formally turned into a company named Tenaga Nasional last month.

This month, two "Successor Company" bills are to be tabled in parliament that will give legal recognition to operate the airports and the Malaysian Railway as business entities.

In common with the establishment of Tenaga Nasional, the successor railway and airport companies provide the transition, and offer the way, to pass ownership from the state into private hands.

The government has also announced that Peramban and Kumpulan Fima, two of the largest commercial enterprises, are to be sold to the civil service management staff as early as December. Peramban is a property group, and Fima a conglomerate whose interests include packaging.

Telekom remains by far the biggest pri-

vatization deal that has led to an actual divestment, nearly four years since it was given company status.

The sale represents a 24 per cent equity stake in the group's M\$1.97bn capital share. It will raise M\$23.35m (US\$900m) against M\$28m collected through the Kuala Lumpur Stock Exchange last year.

But no one sees any difficulty in the market's ability to find the issue. This is because half of the 470.5m shares, offered at M\$5 each, are being privately placed, mostly for long-term investments to state-controlled institutions. Public subscriptions will contribute M\$789.5m of the total offer while an allocation to Telekom's 28,000 employees will raise M\$32.5m.

In comparison three new listing issues in one week in the market recently drew M\$1bn against the overall goal of M\$1.97bn. The public portion has been underwritten by 24 domestic stockbroking houses and banks, led by Arab-Malaysian, the country's largest merchant banker.

Telekom's articles permit a foreign stake of up to 25 per cent, an equity feature directed in part to attract foreign financial and technological backing. This feature, the government has indicated, could be made permanent in future privatisation listings which are substantially

large, such as in Tenaga Nasional and Proton, the state-owned car maker.

Telekom is not the first to accept participation from abroad, but it is unlike the earlier privatisations of the airline and shipping groups where their foreign equity partners were set at 30 per cent each. Discussions to have telecommunications groups in the UK, Canada, Japan and the US take a share in Telekom appear to have been inconclusive - as indicated by the finance ministry which said recently that only 50m shares, or 2.5 per cent, would be placed initially.

The official position has been that foreign investors ought to pay a premium on privatisation offers, more than M\$5 a share in Telekom's case. Although the Telekom offer at home and abroad will eventually reduce the government's direct stake to 50 per cent, the state retains a solid control of the group in other ways.

Under Telekom's articles, equity control and voting rights by each individual or group is limited to 5 per cent. Furthermore, the government is given a veto share and the right to appoint half of the maximum 12-member board.

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the leading role played by WestLB. On this sound foundation, WestLB successfully combines classical products with innovative solutions, applying the right mix of

state-of-the-art technology and personal creativity. That's why WestLB rightfully belongs at the top of your shortlist - from Corporate Finance and Investment Banking to

Treasury. And in a global network stretching from Düsseldorf to New York and from Tokyo to London, WestLB is perfectly at home where you are: in international finance.



WestLB
The Westdeutsche Landesbank



September 28, 1990

Commonwealth of Australia

has purchased through a fixed spread bond tender offer

\$176,218,000

of the outstanding principal amount of six issues of its Yankee Bonds

The undersigned acted as exclusive dealer manager for Commonwealth of Australia in this transaction.

Salomon Brothers Inc

CANAL+

EARNINGS UP 24.4% IN FIRST-HALF 1990

Paris, September 21, 1990 Canal +, Europe's largest pay-TV network, has today announced that its first-half 1990 consolidated net income after minority interests had grown by 24.4 per cent over the year-earlier period.

The network said that the current economic uncertainty would have no effect on the group's future earnings which explains why the share has had no trouble weathering the recent decline in the Paris Bourse.

FIRST-HALF 1990 CONSOLIDATED SALES AND EARNINGS			
(FF millions)	30/6/90	30/6/89	% change
Revenue	2,718	2,429	+11.9%
Television (parent company)	237	4	m
Manufacturing (Antennae Telecom)	91	15	m
Other (other consolidated companies)	3,106	2,449	+26.5%
Total revenue			
Operating income	827	679	+22.0%
Pre-tax income	885	633	+39.8%
Net income after minority interests	504	405	+24.4%

Compared with first half 1989, Antennae Telecom was fully consolidated in the first half of 1990.

At June 30, the number of individual subscriptions totalled 2,970,000, in addition to 120,500 institutional subscriptions. Substantially faster-than-expected growth in subscriptions and difficulties in procuring the new system decelerated somewhat to experience supply shortages in the first half of the year. As a result, Canal + decided to suspend the registration of new subscriptions between September 1 and December 1, 1990.

This decision will have no impact, however, on the network's marketing and financial objectives for the year.

Consolidated sales for the full-year 1990 should be close to FF6.2 billion, or an increase of 15 per cent over 1989.

After deducting an estimated FF 200 million in costs related to new development projects (primarily abroad), consolidated net income should rise by 14.4% over 1989 to reach FF 570 million.

Bank of Tokyo (Curaçao) Holding N.V.

Incorporated with limited liability in the Netherlands Antilles

U.S.\$900,000,000
Subordinated Guaranteed Floating Rate Notes due 2000.

Guaranteed as a subordinated loan by the parent company and interest by THE BANK OF TOKYO, LTD.

Incorporated with limited liability in Japan.
Issue Price 200 per cent of the principal amount.

Bank of Tokyo Capital Markets Group
Banque Paribas Lambert S.A.
Bank of America International Limited
Credit Suisse First Boston Limited
The Daiwa Securities Co., Limited
Goldman Sachs International Limited
Lehman Brothers International
Mitsubishi International Limited
Nippon International Limited
Suisse Bank Corporation
S.G. Warburg Securities
Mitsubishi International (Overseas) Limited

Yorkshire International Finance B.V.
£75,000,000
Guaranteed Floating Rate Notes due 1994
Guaranteed on an unsubordinated basis by

Yorkshire Bank PLC

In accordance with the provisions of the Notes, Notice is hereby given that for the three month period September 28, 1990 to December 28, 1990 the Notes will carry an interest rate of 5.25% per annum with a coupon amount of £188.54 per £5,000 Note.

& NatWest Capital Markets Limited
Agent Bank

£150,000,000

HALIFAX

HALIFAX

BUILDING SOCIETY

Floating Rate Loan Notes

Due 1996 (Series A)

Interest Rate 15.00%

Interest Period 28th September 1990

28th October 1990

Interest Arising due 28th October 1990 per £ 5,000 Note

£ 86.17

£86.17

Credit Suisse First Boston Limited Agent Bank

£150,000,000

HALIFAX

HALIFAX

BUILDING SOCIETY

Floating Rate Loan Notes

Due 1996 (Series B)

Interest Rate 15.075%

Interest Period 28th September 1990

28th March 1991

Interest Arising due 28th March 1991 per £ 5,000 Note

£ 87.58

£87.58

Credit Suisse First Boston Limited Agent Bank

INTERNATIONAL CAPITAL MARKETS

Treasuries rally on back of sharp fall in oil futures

By Karen Zagor in New York and Tracy Corrigan in London

BENCHMARK GOVERNMENT BONDS

COUNTRY	£ STG	US \$	D-MARK	YEN GX 100	COUNTRY	£ STG	US \$	D-MARK	YEN GX 100	COUNTRY	£ STG	US \$	D-MARK	YEN GX 100
Afghanistan (Afghan)	99.25	52.5271	33.8448	38.5574	Bahrain (CFA Fr)	491.25	299.9994	51.5151	149.8522	Pakistan (Pak Rupee)	62.00	22.2281	14.3222	14.7218
Albania (Alban)	1.00	1.00	1.00	1.00	Bangladesh (Taka)	1.00	1.00	1.00	1.00	Panama (Panc Balboa)	1.00	1.00	1.00	1.00
Algeria (Dinar)	17.5425	3.1196	5.9991	6.7990	Belgium (Bel Franc)	2.3325	1.5019	1.1333	3.0000	Paraguay (New Guinean)	1.7799	0.9388	0.6649	0.6649
Andorra (CFA Fr)	9.9250	5.9994	3.5000	3.7971	Bermuda (Berm Dollar)	1.00	1.00	1.00	1.00	Peru (New Guinean)	1.7799	0.9388	0.6649	0.6649
Angola (Kwanza)	56.2710	29.7508	1.7825	21.7472	Bhutan (Bhutan Ngultrum)	1.00	1.00	1.00	1.00	Philippines (Phil Pesos)	94.00	44.0440	28.7793	35.7777
Antigua (Antigua Dollar)	1.00	1.00	1.00	1.00	Bolivia (Bolivia Boliviano)	1.00	1.00	1.00	1.00	Puerto Rico (P.R. Dollar)	1.00	1.00	1.00	1.00
Argentina (Arg Pesos)	10.00	10.00	10.00	10.00	Brazil (Brazil Real)	1.00	1.00	1.00	1.00	Romania (Romanian Leu)	1.00	1.00	1.00	1.00
Australia (Aust Dollar)	2.00	2.00	2.00	2.00	Bulgaria (Bulg Lev)	1.00	1.00	1.00	1.00	Saudi Arabia (Saudi Rial)	1.00	1.00	1.00	1.00
Austria (Aust Dollar)	2.00	2.00	2.00	2.00	Cameroon (CFA Fr)	491.25	299.9994	51.5151	149.8522	Senegal (Senegal Franc)	1.00	1.00	1.00	1.00
Bahamas (Bahama Dollar)	1.00	1.00	1.00	1.00	Canada (Can Dollar)	1.00	1.00	1.00	1.00	Sierra Leone (Sierra Leone Leone)	1.00	1.00	1.00	1.00
Bahrain (Bahraini Dinar)	1.00	1.00	1.00	1.00	Chad (CFA Fr)	491.25	299.9994	51.5151	149.8522	Singapore (Singapore Dollar)	1.00	1.00	1.00	1.00
Bangladesh (Taka)	1.00	1.00	1.00	1.00	Chile (Chilean Peso)	1.00	1.00	1.00	1.00	South Africa (Rand)	1.00	1.00	1.00	1.00
Barbados (Barbados Dollar)	1.00	1.00	1.00	1.00	China (Yuan Renminbi)	1.00	1.00	1.00	1.00	Spain (Peseta)	1.00	1.00	1.00	1.00
Belgium (Belg Fr)	3.71	31.9925	20.6138	23.4635	Colombia (Colombian Peso)	1.00	1.00	1.00	1.00	Sweden (Swedish Krona)	1.00	1.00	1.00	1.00
Belize (Belize Dollar)	2.00	2.00	2.00	2.00	Costa Rica (Costa Rican Colon)	1.00	1.00	1.00	1.00	Switzerland (Swiss Franc)	1.00	1.00	1.00	1.00
Benin (CFA Fr)	491.25	299.9994	51.5151	149.8522	Croatia (Croatian Dinar)	1.00	1.00	1.00	1.00	Taiwan (New Taiwan Dollar)	1.00	1.00	1.00	1.00
Bermuda (Berm Dollar)	1.00	1.00	1.00	1.00	Cuba (Cuban Peso)	1.00	1.00	1.00	1.00	Tanzania (Tanzanian Shilling)	1.00	1.00	1.00	1.00
Bhutan (Bhutan Ngultrum)	1.00	1.00	1.00	1.00	Cyprus (Cypriot Pound)	1.00	1.00	1.00	1.00	Thailand (Thai Baht)	1.00	1.00	1.00	1.00
Bolivia (Bolivia Boliviano)	1.00	1.00	1.00	1.00	Czech Republic (Czech Koruna)	1.00	1.00	1.00	1.00	Togo (Togolese CFA Fr)	491.25	299.9994	51.5151	149.8522
Bosnia (Bosnia Mark)	1.00	1.00	1.00	1.00	Denmark (Danish Krone)	1.00	1.00	1.00	1.00	Tonkin (Tonkin Dollar)	1.00	1.00	1.00	1.00
Brazil (Brazil Real)	1.00	1.00	1.00	1.00	Dominican Republic (D.R. Peso)	20.6217	5.9994	3.5000	3.7971	Trinidad and Tobago (Trinidad Dollar)	1.00	1.00	1.00	1.00
Bulgaria (Bulg Lev)	1.00	1.00	1.00	1.00	Ecuador (Ecuadorian Dollar)	1.00	1.00	1.00	1.00	Turkey (Turkish Lira)	1.00	1.00	1.00	1.00
Burkina Faso (CFA Fr)	491.25	299.9994	51.5151	149.8522	El Salvador (El Salvador Colon)	1.00	1.00	1.00	1.00	Uganda (Uganda Shilling)	1.00	1.00	1.00	1.00
Burundi (Burundi Franc)	312.623	165.6257	100.6635	120.0204	Equatorial Guinea (Equatorial Guinean Dollar)	1.00	1.00	1.00	1.00	United States (U.S. Dollar)	1.00	1.00	1.00	1.00
Cambodia (Cambodian Riel)	491.25	299.9994	51.5151	149.8522	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Uruguay (Uruguayan Dollar)	1.00	1.00	1.00	1.00
Cameroon (CFA Fr)	491.25	299.9994	51.5151	149.8522	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Venezuela (Venez. Bolivar)	213.50	112.9998	72.8047	82.5120
Canada (Can Dollar)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Vietnam (Vietnam Dong)	2748.00	1163.2707	734.5311	849.6868
Chad (CFA Fr)	491.25	299.9994	51.5151	149.8522	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Vietnam (Vietnam Dong)	2748.00	1163.2707	734.5311	849.6868
Chile (Chilean Peso)	288.16	299.9994	51.5151	149.8522	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Virgin Is-British (U.S. Dollar)	1.00	1.00	1.00	1.00
China (Yuan Renminbi)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Western Samoa (Tala)	4.2442	2.3809	1.5114	1.7147
Colombia (Colombian Peso)	964.50	521.0373	335.7203	350.4330	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Yemen (Yemen Rial)	22.8167	19.4878	7.7006	8.8137
Comoros (Comoros Franc)	491.25	299.9994	51.5151	149.8522	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Yemen PDR (Yemen Rial)	0.87798	0.4614	0.2980	0.3325
Costa Rica (Costa Rican Colon)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Yugoslavia (Yugoslav Dinar)	20.5175	7.0187	4.4964	7.9276
Cuba (Cuban Peso)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Zaire (Zaire Franc)	1.00	1.00	1.00	1.00
Cyprus (Cypriot Pound)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Zimbabwe (Zimbabwe Dollar)	4.8130	2.5482	1.6419	1.8608
Czech Republic (Czech Koruna)	29.71	15.7227	10.3312	11.4822	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Denmark (Danish Krone)	11.0000	5.9274	3.8192	4.3285	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Dominican Republic (D.R. Peso)	20.6217	5.9994	3.5000	3.7971	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Ecuador (Ecuadorian Dollar)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
El Salvador (El Salvador Colon)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Faroe Islands (Faroese Krona)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Fiji (Fiji Dollar)	2.00	2.00	2.00	2.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Finland (Finnish Markka)	5.9453	3.0815	2.3751	2.6830	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
France (French Franc)	6.55	55.9625	35.5994	40.5594	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
French Polynesia (CFA Fr)	491.25	299.9994	51.5151	149.8522	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Germany (West Mark)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Ghana (Ghana Cedi)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Greece (Greek Drachma)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Guatemala (Guatemalan Quetzal)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Hong Kong (Hong Kong Dollar)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Hungary (Hungarian Forint)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
India (Indian Rupee)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Indonesia (Indonesian Rupiah)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Israel (Israeli Sheqel)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Italy (Italian Lira)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Jamaica (Jamaican Dollar)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Japan (Yen)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Jordan (Jordanian Dinar)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Korea (South Korean Won)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Korea (North Korean Won)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Kuwait (Kuwaiti Dinar)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Laos (Lao Kip)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Lebanon (Lebanese Lira)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Libya (Libyan Dinar)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Lithuania (Lithuanian Litas)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Madagascar (Malagasy Franc)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Malawi (Malawi Kwacha)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Malaysia (Malaysian Ringgit)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Maldives (Maldivian Rufiyaa)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Mali (Mali Franc)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Mexico (Mexican Peso)	5493.78	2907.5310	1747.4317	2325.0251	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Morocco (Moroccan Dirham)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Mozambique (Mozambican Escudo)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Nicaragua (Nicaraguan Cordoba)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Nigeria (Nigerian Naira)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
North Macedonia (Macedonian Denar)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Oman (Omani Rial)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Pakistan (Pak Rupee)	62.00	22.2281	14.3222	14.7218	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Panama (Panc Balboa)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Paraguay (New Guinean)	1.7799	0.9388	0.6649	0.6649	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Peru (New Guinean)	1.7799	0.9388	0.6649	0.6649	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Philippines (Phil Pesos)	94.00	44.0440	28.7793	35.7777	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Puerto Rico (P.R. Dollar)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Romania (Romanian Leu)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Saudi Arabia (Saudi Rial)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Senegal (Senegal Franc)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Sierra Leone (Sierra Leone Leone)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
Singapore (Singapore Dollar)	1.00	1.00	1.00	1.00	Ethiopia (Ethiopian Birr)	1.00	1.00	1.00	1.00					
South Africa (Rand)	1.00	1.00	1.00	1.00										

US Treasuries rallied yesterday afternoon on the back of plunging oil prices and the news of a tentative budget agreement.

In late trading, the Treasury's benchmark 30-year bond was up $\frac{1}{4}$ point at 99 $\frac{1}{4}$, yielding 8.83 per cent after posting gains of about $\frac{1}{8}$ point earlier in the day. Gains were less pronounced at the short end of the yield curve, where issues were up about $\frac{1}{8}$ point.

The bond market's bullish tone was set by sharp losses in oil futures, prompted by the prospect of a reduction in Gulf tensions, which eased inflation worries. November crude oil was quoted down \$2.42 at 26.00 a barrel.

The bond market's more modest gains in morning trading reflected scepticism about the budget accord, which would cut the deficit by \$34bn in the first year, compared with the \$50bn many negotiators had hoped for. Economists were divided about the budget

GOVERNMENT BONDS

deal, which was described as "pretty flimsy" by Mr John Youngdahl, money market economist at Goldman Sachs, but "a credible package" by Mr David Reesler, chief economist at Morgan Securities.

The market was also doubtful about the prospects of monetary policy being eased at today's meeting of the Federal Open Market Committee. The market expects the Fed to keep monetary policy on hold until

In late trading, Fed Funds changed hands at at 3 1/4 per cent. The Fed did not operate in the open market, but this was interpreted simply as a sign that last week's overnight system repurchase operations

had added sufficient reserves to the banking system.

■THE German bond market gained as much as half a point, spurred by the strong close of the US Treasuries on Friday.

On the London International Financial Futures Exchange,

Financial Futures Exchange, the 10-year Bund contract ended at 81.05, up from an opening level of 80.66, with no signs of breaking out of its 80 to 82 point range yet. Bond yields remain steady around 9 per cent, with traders torn between the negative implications of the continuing new

■LONG-dated gilts advanced half a point, outperforming the short end of the market, as short-term prospects of lower

As well as the news from the US, the slight downward rev-

Turkish Airlines sale gazetted

By Jim Bodgener in Ankara

PLANS for the privatisation of Turkish Airlines have been officially gazetted, although the Gulf crisis means that the first move, probably a public issue of between 10 and 15 per cent of the airline's nominal TL700bn capital, has been put on hold.

been decided. The Public Participation Administration (PPA), which oversees the Turkish government's ambid-

Turkish government's ambitious privatisation programme moved towards greater reliance on public issues earlier this year when two previous block sales to foreign interests were suspended by the courts on the grounds they contra-

FT/AIBD INTERNATIONAL BOND S

Listed are the latest international buyers for which there is an adequate secondary market. | Start prices at \$115 per ton, FOB

[illegible]

FINLAND 5 1/8 95 _____
GENERAL MOTORS 7 1/2 95 _____
JAPAN DEV BK 5 1/2 96 _____

	100	80	60	40	20	0	CONVERTIBLE BONDS	Conv.	Conv.	Conv.	Conv.
NEWCAST ASX FINANCE 5 3/4 94	100	80	60	40	20	0	ARSTYL GROUP 4 1/2 02	50	2.95	102 1/2	103 1/2
NEW ZEALAND 4 7/8 94	200	81 1/2	82 1/2	83 1/2	84 1/2	85 1/2	ARSTYL GROUP 4 1/2 02	50	2.95	102 1/2	103 1/2
QUEENSLD RYMOND 0 5/8	100	74	75	76	77	78	ARSTYL GROUP 4 1/2 02	50	2.95	102 1/2	103 1/2
SHANDORWYAS DISK 6 1/2 95	100	97 1/2	98	99	100	101	ARSTYL GROUP 4 1/2 02	50	2.95	102 1/2	103 1/2
WORLD BANK 1 1/4 90	100	96 1/2	97 1/2	98 1/2	99 1/2	100 1/2	ARSTYL GROUP 4 1/2 02	50	2.95	102 1/2	103 1/2
WORLD BANK 7 1/4 92	100	100 1/2	101	102	103	104	ARSTYL GROUP 4 1/2 02	50	2.95	102 1/2	103 1/2

YEN STRAIGHTS
AUSTRIA 4 3/4 94 30

[illegible]

SWEDEN 5 3/8 95 _____ 20
WORLD BANK 6 3/4 00 _____ 50

WARRANT BOND: The yield is the yield to redemption of the bid-price; the amount issued in in millions of currency units. **Chg. Adj.—Change on**
floating rate Maturity: Discounted in dollars unless otherwise indicated. Coupon shown in minimum. Spread—Margin above-the-month
of issue (three-month above mean rate for US dollars. **Coupon:** The current coupon.
Conversion: Discounted in dollars unless otherwise indicated. **Cov. price—Nominal amount of bond per share expressed in**
percentage of share at conversion rate at issue. Prem—Percentage premium of the current effective price of acquiring shares via the bond
over the most recent price of the share.

TRADE INDEMNITY PLC 071-739 4311
 EXPORT CREDIT CLEARING HOUSE. Finds 100% non-recourse export finance when you cannot.

New Issue

This announcement appears as a matter of record only.

September, 1990

MITSUI TAIYO KOBE ASIA LIMITED

(Incorporated with limited liability in the Cayman Islands)

U.S.\$1,200,000,000

Subordinated Floating Rate Notes due 2000

guaranteed on a subordinated basis by

THE MITSUI TAIYO KOBE BANK, LIMITED

(Incorporated with limited liability in Japan)

Issue Price: 100 per cent.

Mitsui Taiyo Kobe International Limited

Nomura International

Lehman Brothers International

Banque Bruxelles Lambert S.A.

Bear Stearns International Limited

Daiwa Europe Limited

KOKUSAI Europe Limited

Leu Securities Limited

Monte dei Paschi di Siena

NatWest Capital Markets Limited

The Nikko Securities Co., (Europe) Ltd.

Salomon Brothers International Limited

The Shinyei Ishino Securities Company Limited

UBS Phillips & Drew Securities Limited

Goldman Sachs International Limited

Merrill Lynch International Limited

Barclays de Zoete Wedd Limited
BSI Overseas (Bahamas) Limited, Nassau

Hambros Bank Limited

Kyokuto Securities (Asia) Limited

Marusan Europe Limited

J. P. Morgan Securities Ltd.

National Securities of Japan (Europe) Ltd.

Paribas Capital Markets Group

Sanyo International Limited

Toyo Securities Europe Ltd.

S. G. Warburg Securities

Yamatane Securities (Europe) Limited

Mortgage Funding Corporation No 1 Plc

\$175,000,000 Class A-1
\$25,000,000 Class A-2
Mortgage backed floating rate notes March 2020

For the interest period 28 September 1990 to 31 December 1990 the Class A-1 notes will bear interest at 15.425% per annum. Interest payable on 31 December 1990 will amount to \$3,972.47 per \$100,000 note. The Class A-2 notes will bear interest at 15.625% per annum. Interest payable on 31 December 1990 will amount to \$4,023.57 per \$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

HMC MORTGAGE NOTES 1 PLC

\$150,000,000
Mortgage Backed
Floating Rate Notes 2017

For the interest period 28 September 1990 to 31 December 1990 the Notes will bear interest at 15.5% per annum. Interest payable on 31 December 1990 will amount to £3,527.40 per £100,000 Note.

Agent: Morgan Guaranty Trust Company

JP Morgan

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS (EDRS) IN FOREIGN ELECTRONIC CORPORATION

Public Notice of Record Date with respect to Interim Dividend.

Notice is hereby given that pursuant to the provisions of the Articles of Incorporation of the Company, September 30, 1990 (because September 25 and September 30, this year fall on Bank Holidays) it is in effect as of September 25, 1990, upon the record date for determining those shareholders or pledgees who shall receive interim dividend.

Dated the 18th Day of September, 1990.

Pioneer Electronic Corporation
4-1-1 Maguro 1-chome, Maguro-ku, Tokyo.

LEGAL NOTICES

JFD LIMITED

Registered number: 235495

Nature of business: Distribution agents

Trade classification: 48

Date of appointment of joint administrative receivers: 31 Dec

John Martin Treddle and John Michael Thompson

Joint Administrative Receivers

(Office holder numbers 2704 and 5202)

Eric Gully

Shelley House

3 Hable House

LONDON EC2V 7DD

INTERNATIONAL CAPITAL MARKETS

Swaps uncertainty leads to dearth of new issues

By Simon London

A LACK of opportunity in the interest rate swap market combined with the continuing uncertainty over the Gulf crisis to kill new issue activity in the Eurobond market yesterday.

Market operators said that the lack of arbitrage opportunities in the swap market derived from a widespread view that interest rates are artificially high.

At these levels, few institutions are willing to swap floating-rate borrowings for fixed-rate. One syndicate official commented that the best post-swap borrowing terms available for a triple-A rated borrower in any currency were 20 basis points below the London interbank offered rate.

In the secondary market, Japanese equity warrants staged something of a recovery following a rout over the last two weeks. Investors reacted with relative equanimity to the fall of the Nikkei stock market index to below 20,000 for the first time since February 1987.

The Nikkei rallied in late trading to close down 761.84 on the

day at 20,221.86, leading some institutions to buy into the warrants market in the belief that a temporary floor in equities has been reached.

However, Morgan Stanley's equity warrant index, rebased in January this year at 100, now stands at just 20.58. More

INTERNATIONAL BONDS

over, warrants with a shorter maturity have significantly underperformed the average, the first time that "time-value awareness" has been exhibited in the market, according to some analysts.

Analysts also expect the secondary market increasingly to favour larger issues, which are included in the new "broker's broker" scheme, introduced by the Japanese government to improve price transparency. Under the scheme, market-makers have to place their orders through a central computer system, where they are

matched and executed. As a result, bid and offer prices can be displayed in the same way as in the equity markets, but only issues with over \$150m outstanding are included.

As a result, larger, more transparent and longer-dated equity warrant issues could be the focus of any tentative recovery in the underlying equity market remains firm.

British Aerospace yesterday announced an open offer to buy in the whole of a £35m domestic preference share issue from Arlington Securities, its property development subsidiary.

Under the tender offer, which is open until the end of this week, British Aerospace is offering to buy in 9% per cent preference shares due 2008 through Barclays de Zoete Wedd at par. Before the offer was announced the preference shares were trading at 90 on a yield of 14.85 per cent.

BZW said that it had purchased 12m of the 25m preference shares by the close of trading.

Australia performs well after Iraq invasion

By Tracy Corrigan

AUSTRALIA has been the best performing bond market since Iraq's invasion of Kuwait, benefiting from its status as a net oil exporter. In US dollar terms, the market has returned 8.16 per cent since August 1.

The three highest-yielding markets, Italy, Spain and Australia, proved the best performers for the third quarter of 1990 in local currency terms, according to J.P. Morgan's government bond index monitor. In fact, they are the only markets with positive returns in local currency terms since Iraq's invasion of Kuwait.

The results for Spain and Italy are partly because these markets have very short maturities as well as high yields. Since the start of the year, Italy and Spain have both returned more than 20 per cent in dollar terms.

Canadian, French and Japanese bonds were all badly hit, in terms of local currency returns. From a US dollar perspective, the exceptional performance of the yen offset bond losses, making Japan the best performing market for the first time since October 1988, according to J.P. Morgan. Overall, the third quarter's returns were mixed, with the yen most successful for investors holding unhedged foreign bonds, with non-US bonds outperforming US Treasuries by 4.76 percentage points.

Swiss bank status for unit

ROTHSCHILD Boersenhandel has gained Swiss bank status by decree of the Swiss Banking Commission.

The unit was set up jointly by Banque Privée Edmond de Rothschild of Geneva, Rothschild Bank of Zurich and Banca Privata Edmond de Rothschild of Lugano. Its main business will be to advise institutional customers, as well as offer portfolio management and financial market services.

It plans to deal in securities on the Zurich bourse.

Share slide hits convertible issues

By Michio Nakamoto in Tokyo

THE continuing slide of the Tokyo stock market, which has taken share prices down by around 30 per cent from their peak last year, has dealt another serious blow to Japanese corporations' prospects of raising funds through equity-linked issues.

Officials at Mazda, the car-maker, having watched the Nikkei average nosedive below 21,000, have cancelled a ¥100bn convertible bond issue planned to fund capital investments at home and abroad. "We decided that with the market in its present condition, we could not go ahead with our issue without causing investors considerable damage," said a Mazda official.

The sharp fall of stock prices earlier this year has already severely restricted the ability of Japanese corporations to

raise funds on the market. In March, the leading securities firms, alarmed by the market's decline, had imposed a temporary moratorium on new issues.

Although the new issue market was reopened in late July, a limit was placed on the amount each company could issue and straight bond issues were more or less banned.

In the first half of fiscal 1990, from April through September, Japanese corporations will have raised just over ¥2,370bn through equity-linked issues at home and abroad, according to industry estimates.

This compares with ¥11,500bn in the first half of fiscal 1989 and a total of ¥26,000bn in the whole of fiscal 1988.

The continuing weakness of the Tokyo stock market could

prompt other Japanese corporations to reconsider their financing plans this year.

The underwriting securities houses will, in any case, be even more cautious about allowing further supply on to the market.

The leading securities houses are not expected to close down the new issues market for a second time. "New issues will be taken on a case-by-case basis," an official at a leading securities house said.

Nevertheless, conditions will be even more difficult for corporations still eager to raise funds on the market.

"We are in it for the business too," said Mr Masao Suzuki, manager of the Capital Markets Department at Yamachiji Securities. "We are faced with a market that investors have been fleeing, and we will have

to be selective and to keep the launch of new issues apart.

Some may have to be postponed," he pointed out.

Corporations will have to be prepared to pay a higher cost for funds by raising the coupon or coming up with more attractive terms for investors.

The coupon on yen-based convertible bonds has already gone up from around 2 to 3 per cent in the spring to about 5 per cent.

One incentive which has already been used by a number of corporations is a pledge to revise the exercise price on warrant bonds downwards if the market price falls below it. Yamachiji Securities has already underwritten two dollar warrant bonds and four on the Euro market which include a pledge to reduce the exercise price up to 75 per cent if the market price falls.

OSC sets up new system on insider reports

By Robert Gibbons in Montreal

THE ONTARIO Securities Commission, the leading provincial securities watchdog, wants to place the onus of filing accurate insider trading reports fully with the individual.

Mr Robert Wright, chairman, said an honour system with random spot checks would replace the present monitoring of insider reports. The OSC would concentrate resources on finding and punishing those who violated the rules.

Insiders, including directors, must now file insider trading reports within 10 days of the months in which the transactions took place. The number of shares bought, the price and the insider's net holding is then published in the OSC's Weekly Bulletin.

Under the new system, a violation found by spot checking could lead to prosecution.

Swedish regulator blocks banking partnership

By John Burton in Stockholm

SWEDEN'S Bank Inspection Board recommended yesterday that a controversial banking partnership between the state-run Post Office and the national savings bank federation be blocked.

Nordbanken, Sweden's third largest commercial bank group, has been fighting the proposed joint venture since it was announced in August. Nordbanken, which is 70 per cent state-controlled, feared a large part of its consumer business would disappear if the Post Office, which it has been co-operating since 1974, also forged a partnership with the savings banks.

The Post Office, through its 2100 branches, handles retail banking services exclusively for Nordbanken, with 500,000 of the bank's private customer deposits of SKr65bn being processed through the post office network. These deposits largely consist of wages paid to

government employees. Under the proposed agreement, the Post Office and the savings banks would have offered each other's consumer banking services to rationalise their operations.

But Nordbanken objected to the move since it believed it would funnel business to a new retail bank jointly owned by the Post Office and the savings banks.

The Bank Inspection Board, which was ordered by the government last month to solve the dispute, proposed instead that the Post Office handle deposits and withdrawals for all the country's banks in return for which it would receive fees from them.

Nordbanken said yesterday it would agree to the compromise although it would mean the loss of Nordbanken's exclusive rights to the banking services provided by the Post Office.

BPB syndication oversubscribed

By Deborah Hargreaves

N.M. ROTHSCHILD has shown that syndicated loan facilities can still go well in spite of the recent adverse market conditions. The bank has completed the syndication of a £225m five-year multicurrency credit for BPB Industries, the building materials supply group, which was oversubscribed.

The facility, which is due to be signed on October 10, was increased from £175m to £225m after £50m was subscribed in addition to the underwriters' final allocations.

The facility is available for drawing of multi-currency cash advances and sterling bills for a one-year period. It carries a

margin of 40 basis points in the first three years and 45 basis points after that. The balances not utilised will carry a commitment commission of 17.5 basis points.

The company plans to use the facility to finance recent acquisitions in France and Spain.

Abbey National Treasury Services announced a £1.5bn Euro medium-term note programme arranged by Lehman Brothers. The programme is structured to meet the needs to allow issuance in most currencies and the notes can be either fixed or floating-rate, zero coupon or index-linked.

Derivatives arm opens in London

By Deborah Hargreaves

MANUFACTURERS Hanover, the US bank, is setting up a European branch of its futures and options operation in London. It will focus on interest rate, foreign currency and equity index futures and options. Manufacturers Hanover Futures & Options is a clearing member of the London International Financial Futures Exchanges and the Chicago Board of Trade and the Chicago Mercantile Exchange.

Swiss Bank Corp invests in E Europe finance firm

By David Lascelles, Banking Editor

SWISS Bank Corporation is extending its interest in east Europe with a 33 per cent stake in East European Development, a UK corporate finance firm which specialises in arranging joint ventures in Europe and Central and Eastern Europe for its clients.

The investment follows SBC's recent purchase of a stake in the Polish Investment Company, a similar firm specialising in that country. SBC says the latest deal will give it access to business opportunities in eastern Europe for its clients. It also expects to assist in arranging finance for deals.

Japan acts on US credit card debt

JAPAN'S Finance Ministry has given nine foreign and two domestic securities houses permission to securitise and sell US credit card debt, Reuters reports from Tokyo.

The brokerages will initially securitise and sell credit card debt owned by Citicorp in the US. The ministry's move is part of a programme aimed at deregulating Japan's financial markets.

The first issue is likely to be sold this month. It will total \$1.2bn to \$1.3bn and will be divided into smaller units with maturities of three to seven years. Yields are likely to be 60 to 70 basis points above that of US Treasuries, a broker said.

Brokers allowed to sell the instruments include Citicorp Securities, Salomon Brothers Asia, UBS Phillips and Drew International, S.G. Warburg Securities, Nomura Securities and Daiwa Securities. The Daiwa Securities is to open a representative office in Vienna on Thursday. The operation will bring the number of Daiwa's European offices to 14. Dutch brokerage firm Ameriquest Options Nederland is to acquire money broker Troost, Herkenhart & Ten Kate from October 1.

LONDON MARKET STATISTICS

RISKS AND FALLS YESTERDAY

British Funds	Rise	Fall	Stag
Corporations, Dominion and Foreign Bonds	81	0	12
Industrial and Commercial	446	197	918
Financial and Property	217	105	416
Oil	21	31	36
Plantation	1	0	74
Mixed	12	6	38
Others	57	58	107
Totals	840	461	1,592

LONDON RECENT ISSUES

Issue	Amount	Latest	1990	Stock	Closing	Price	Yield	Yield	Yield
100	100	100	100	100	100	100	100	100	100

FIXED INTEREST STOCKS

Issue	Amount	Latest	1990	Stock	Closing	Price	Yield	Yield	Yield
100	100	100	100	100	100	100	100	100	100

RIGHTS OFFERS

Issue	Amount	Latest	1990	Stock	Closing	Price	Yield	Yield	Yield
100	100	100	100	100	100	100	100	100	100

TRADITIONAL OPTIONS

Issue	Amount	Latest	1990	Stock	Closing	Price	Yield	Yield	Yield
100	100	100	100	100	100	100	100	100	100

LONDON TRADED OPTIONS

THE UK EQUITY FUTURES MARKET

has rallied strongly yesterday as hopes of reduced US interest rates encouraged active institutional buying. Dealing in traded options was subdued, reflecting lower turnover on the stockmarket.

The December FT-SE 100 index closed 64 points higher at 2073.5 as 7,785 contracts changed hands. December's premium to the cash index finished at 48 points, compared with 35 at the close of the previous session.

The futures market opened firmly, driven by New York's gains and hopes that the US budget deal agreed by President George Bush and congressional

THE TRADED OPTIONS MARKET

leaders would pave the way for a cut in interest rates. The December contract moved to a 48-point premium over the cash FT-SE index and pulled the stockmarket higher as arbitrageurs sold futures contracts and bought stock.

The large institutions were strong buyers of futures, hoping that the December contract would move back above the fair value premium of 55 points. Fair value is an estimation of the futures market's premium over the cash and is based on future dividend payments and the cost of finance.

Some investors used FT-SE index options to hedge their stockmarket investments. Activity in the FT-SE index accounted for 40 per cent of total options business. Normally, it is about 25 per cent.

Stock options were quiet. British Petroleum was the most active as the oil price weakened. A total of 2,785 lots were traded. The January 380 calls were the most popular. STC was lifted by out-of-the-money call buying and 1,483 were traded.

FT-SE 100 SHARE INDEX

Index	Day's Change	Day's High	Day's Low	28 Day	52 Week
2073.5	+64.6	2083.1	2063.1	2000.0	1990.3

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UK COMPANY NEWS

Rosehaugh restructures and reduces commitments

By Vanessa Houlder, Property Correspondent

ROSEHAUGH, the hard-pressed property developer, yesterday announced the resignation of two of its subsidiaries' directors along with steps to restructure the group's management.

The moves are part of its strategy of streamlining its business and reducing its development commitments in an effort to stave off liquidity problems.

The group is now focusing its activities on three subsidiaries, covering its residential, commercial and retail activities, which will sit alongside its associated companies Rosehaugh Stanhope, the London Regeneration Consortium and Rosehaugh Greycoat.

"We have substantially simplified the management of

the group and are reverting to our core businesses," said Mr Graham Johnson, a Rosehaugh director.

The two directors were leaving, because "the areas in which they were active were not areas in which we would make significant new investments", he said.

The company announced the resignation of Mr Ian Rowberry, a main board director and managing director of Rosehaugh Copartner, which is involved in central London residential development, although he will act, for the time being, as a consultant. The Copartner projects and all the other residential activities, will now be handled by another subsidiary, the Pelham group of companies.

Mr Ian Pearce, who headed the Shearwater retail development arm, has resigned his directorships in Shearwater Group companies although he also will act as a consultant.

Brokers' analysts had been anticipating a restructuring since Rosehaugh's £125m rights issue in February. A large part of the blame for Rosehaugh's cashflow problems had been levelled at the over-expansion of subsidiaries such as Shearwater.

As part of its efforts to reduce its commitments, Rosehaugh sold its Rosehaugh Heritage subsidiary to Kingfisher, the retailer, for £35m in cash last month.



Godfrey Bradman (chairman) - staving off liquidity problems

Maxwell to sell Canada mill shares to Mirror Newspapers

By Raymond Snoddy

MR ROBERT MAXWELL, the publisher, admitted yesterday that he was selling his 26 per cent stake in Donahue Newsprint Mills of Canada - to himself.

Maxwell Communication Corporation had suggested on Sunday that the newsprint stake would be sold in a £140m (£74m) deal, part of a disposal programme, to a British bank.

Yesterday, Mr Maxwell said the ultimate destination of the stake would be his private newspaper publishing vehicle Mirror Group Newspapers.

The decision will do little to boost substantially the MCC share price which has been under considerable pressure lately.

A further disposal, the sale of a 20 per cent stake in Quebecor Printing expected to raise about \$100m, might also be to Mirror Group Newspapers. In this case MCC insists that an "in-house" is only one of the options and that there are claimed to be possible outside purchasers.

Announcements on the latest phase of Mr Maxwell's disposal programmes, designed to reduce debts of some £1.9bn - which were incurred when buying Macmillan, the US publisher, and three Official Airline Guides - were expected yesterday.

However, MCC said the announcements will be made today.

In addition to the sale of the Canadian newsprint and printing stakes, Mr Maxwell will announce the conditional sale of F F Collier, the US encyclopaedia company, to Langenscheidt, the West German encyclopaedia and dictionary publisher, for a total of \$67m.

News of a further disposal of a consumer publishing company in a deal worth \$100m is expected later this week. The sale will be to a purchaser from outside the industry.

MCC shares rose 4p to 149p yesterday.

Watts Blake ahead 4% with Europe offsetting UK fall

By Andrew Jack

RISING DEMAND in continental Europe allowed Watts Blake Bearn, the Devon-based ball and china clays producer, to offset disappointing UK sales and lift pre-tax profits by 4 per cent to £4.52m for the six months to June 30.

In spite of poor demand for china clay in the UK, the company said it would not be following the lead of its competitor EOC, which announced 750 redundancies last Friday.

"We have a policy of providing stability and security of employment," stated Mr John Pike, managing director.

Overall turnover rose 18 per cent to £28.9m (£24.54m). There was strong sales growth in West Germany, Italy and Spain, according to Mr Pike, and UK exports grew by 15 per cent to these markets.

US turnover almost doubled to £2.08m (£1.13m), following the first full interim results since the company bought United Clay, which owns clay deposits in Mississippi and Tennessee, for \$4.5m in April 1988.

UK sales, however, fell by 7 per cent to £4.78m (£5.14m). The figures suffered from a slump in demand for ceramic tiles and sanitary ware, combined with growing market penetration from Europe and Brazil.

Falling demand from the paper and fertiliser industries generated disappointing results for the china clay division, according to Mr Henry Cottrell,

the chairman.

Interest receivable fell to £71,000 (£183,000) as a result of the US acquisition.

Since the beginning of the year, Watts Blake Bearn has opened a small ceramic body preparation plant in Portugal, formed a UK joint venture for minerals separation, and extended its US operations.

Earnings per share were 14.8p (14p). The interim dividend is increased to 2.7p (2.6p).

COMMENT

Nice company, shame about the share price. On full year pre-tax profits of £2.8m to £3m, the prospective multiple of 13 is well above the sector, mainly due to tightly-held shares which are rarely traded and shield Watts Blake Bearn from market influences. The company is slowly combining to stress its overseas expansion of both production and sales into Europe, North America and the Far East - the UK now only accounts for 17 per cent of sales. While over-production from competitors in Spain and Italy has boosted their tile imports to Britain, these same countries have a growing demand for WBB's higher quality German and British clays. The company says it is looking for new acquisitions, and with estimated net year end debt of only £5m it will be keeping a keen eye on purchasable clay reserves in eastern Germany and Czechoslovakia.

Coats Viyella makes triple sale for £6.3m

By Alice Rawsthorn

Coats Viyella, the textile group which has been embroiled in on-off bid discussions with Tootal, yesterday announced the sale of three subsidiaries for £6.3m cash.

The three subsidiaries are Stevenson, a fabric dyer; Wrightwear Fabrics, which makes knitting fabrics; and UK Lace, a lace manufacturer. They have been sold to Risehaven, which is owned by the subsidiaries' managers and a group of external investors.

Sir David Alliance, chairman of Coats, said the disposal formed part of the group's ongoing strategy of shedding its peripheral interests.

Last week Coats announced the appointment of Mr Neville Bain from Cadbury Schweppes as its new chief executive.

The three companies sold employ about 200 people. They made profits (before tax and finance charges) of £1.4m on turnover of £14.5m last year.

The news of the latest Coats disposal came on the same day as the publication of Tootal's interim results. Coats still holds a 28.9 per cent stake in Tootal, another UK textile group.

Lex pays £9.2m for third Ford main dealership

By Jane Fuller

LEX SERVICE, the distributor of vehicles and electronic components, is buying a Ford car and Iveco Ford truck dealership in Poole, Dorset.

The £9.2m purchase of F English fits in with the group's policy of concentrating on larger dealerships.

Mr John Day, of Lex Retail

Group which operates about 60 dealerships, said the acquisition would have little impact on group gearing, which was less than 60 per cent at the half-year stage.

Last year the English dealership made sales of £40m and a profit of just under £1m. The

net assets are valued at £10.5m.

Several small operations were moved on to one large site early this year.

The purchase does, however, come against a background of an 11 per cent fall in UK car sales so far this year and follows fears voiced at the British International Motor Show that

truck sales could be nearly 30 per cent down on 1989.

Mr Day said the acquisition would become Lex's third Ford main dealership.

Lex's first-half results showed a 37 per cent fall in pre-tax profit to £23.2m on turnover of £967m (£1bn).

NEWS DIGEST

Reckitt sells Dutch arm for £28.7m

RECKITT & Colman, the household, pharmaceutical and food products group, has sold Conimex, its Netherlands-based oriental food business, to CPC Benelux for £1 85m (£28.7m) cash.

The disposal is part of the programme announced with the acquisition of Boyle-Midway and will be used to reduce Reckitt's indebtedness.

CPC makes food products principally under the Knorr brand-name.

PML Group goes into £608,000 loss

PML Group, a USM-quoted designer and maker of ladies shoes, knitwear and fashion-wear, reported a loss of £608,000, against a £655,000 profit, for the six months to June 30.

Turnover was £16.84m (£14.44m), with the clothing sector making a £530,000 loss (£65,000) and the retail sector showing a profit of £490,000 (£1m).

Interest costs rose to £298,000 (£131,000) and tax took £130,000 (£205,000). Loss per share came to 8.5p (5.1p earnings).

The directors said a final dividend was unlikely.

The group said the yen decline and the lower spending power of Japanese tourists had affected business.

Strong order book as PCT rises to £0.55m

PCT Group, the USM-quoted power tools and lifting and welding equipment company, reported pre-tax profits of £553,236 for the half year to end-June.

The advance from last time's £504,873 came on turnover ahead sharply at £9.94m (£4.82m) and was struck after interest charges of £437,991 (£327,511).

The interim dividend is raised to 2.4p (2.3p), payable

from earnings of 8.3p (7.8p) per 10p share.

Mezzanine Capital nav at \$13.73

Net asset value of Mezzanine Capital Corporation fell from \$12.73 to \$13.07 per share or \$457.8 (\$508.3) per unit for the year. Net investment income declined from \$8.61m to \$1.88m (\$994,000).

Capital gains, minus fees, fell to \$718,787, against \$8.61m, while recovery of invested capital realisation of investments totalled \$1.09m (\$3.36m).

Cash and short-term investments total \$6.6m (\$8.82m) and investments in companies \$43.6m (\$48.45m).

Newmark falls into the red

By Jane Fuller

LOUIS NEWMARK, the electronic and precision engineer and watch distributor, slipped to a pre-tax loss of £2.49m in the 18 months to March 31, compared with a profit of nearly £1m.

The group, which announced the news after the market closed, said that two subsidiaries, both makers of electronic components, made worse-than-expected losses.

Vernon Gauging Systems had suffered a shortage of orders and it had also been dis-

covered that local management had sacrificed margins to attract business.

Consequent management changes and cuts had been provided for in the accounts. Profitability had been restored.

The group is selling the McMurdo reserve battery business to Kembra for \$4.7m cash to cut borrowings.

Group turnover declined to £39.76m (£41.97m) and the loss per share was 60.4p (earnings of 19.1p). There is no final dividend.

CRH
THE INTERNATIONAL
BUILDING MATERIALS GROUP

— HALF YEAR 1990 —

PROFITS BEFORE TAX **IR£32.1m - UP 18%**
EARNINGS PER SHARE **IR 8.8p - UP 22%**
DIVIDEND **IR 2.0p - UP 14%**

"Our strategy of geographic, sectoral and product balance should ensure that the full year results show an improvement on a record 1989."

CRH plc, Belgard Castle, Clondalkin, Dublin 22, Ireland.

This announcement appears as a matter of record only

SOUTH WEST WATER
(Lessee)

£100,000,000

Finance Leasing Facility
for Water and Sewage Equipment

provided by a subsidiary of

National Westminster Bank PLC

(Lessor)

The undersigned acted as advisor to South West Water on this transaction

BABCOCK & BROWN

September 1990

UK COMPANY NEWS

Margins under pressure at W Canning

By Paul Chesswright, Midlands Correspondent

W CANNING, Birmingham-based speciality chemicals and electronic components distribution group, slightly increased interim pre-tax profits from £4.4m to £4.7m but said it was facing market conditions more and more uncertain.

Although total sales during the six months to end-June were £55.6m (£55.31m), operating profits were slightly reduced. It was only the reduction in holding company interest charges and costs not allocated elsewhere in the group, combined with the absence of charges for discontinued activities - that had shown up in the 1989 first half - which allowed pre-tax profits to increase.

Generally, Canning is finding its margins under pressure. Mr David Probert, chairman, noted yesterday that business confidence is adversely affected by high interest rates, inflation and the political situation in the Middle East.

The joker in the pack for Mr Probert is the Gulf crisis. While this helps Canning's synthetic lubricants business, it could have an effect on the international economy and lead to a slowdown in trade generally.

As it is, Canning's synthetic lubricant sales doubled in the

W. Canning



1990 first half to 58m. Italy contributed £7.5m to component sales, against nil in the 1989 first half, following recent acquisitions. But, the market has turned down in Spain and the UK, while east Europe has become more hazardous as buying has shifted from state purchasing companies to individual groups not possessing hard currency.

Two acquisitions during the first half have increased earnings from 12 per cent in December 1989 to 30 per cent in June.

First half earnings per share were 9.5p, compared with 11.4p last time. The interim dividend is raised to 2.94p (2.8p).

Acquisitions double European Leisure

By Nigel Clark

EUROPEAN LEISURE saw pre-tax profit more than double from £3.6m to £8.6m in the year to the end of June. The period saw a number of acquisitions including the takeover of Midsummer Leisure.

The result was achieved in spite of an increase in interest charges to £2.4m (£2.1m). The company said the present year had started in line with internal expectations.

The profit includes a five week contribution of £870,000 from Midsummer Leisure. The company said that progress had been made in selling non-core businesses, raising more than £2m. Further sales were expected in coming months.

Year end gearing stood at 72 per cent but disposals had helped it to fall to 60 per cent with a further reduction expected.

Discotheques had performed well and venue bars made progress, the company said. Turnover increased to £33.8m (£19.2m) including £3.6m from Midsummer. The taxable profit included an exceptional profit of £206,000 from the head office sale.

Earnings per share were 6.73p (5.27p) adjusted for the rights issue in November. The proposed final dividend of 1.3p makes a total of 1.7p (1.5p).

No dozer, no bull, in the earth-moving business

Jane Fuller meets Roger Shute of BM, which has made a bid for Blackwood Hodge

MR ROGER Shute, chairman of BM Group, is fond of comparing his construction equipment and building products company with the tortoise whose patient toll beat the hare.

Hard work is the first explanation he gives for BM's strength in markets where complaints are often heard about the ill effects of the UK interest rate squeeze. "If you work 16 hours a day, seven days a week, you do better than the sloth who works five hours a day, three days a week."

And although he once described himself as being renowned for his impatience, he hid his time to good effect before moving on Blackwood Hodge, the flagging worldwide distributor of earth-moving equipment. An agreed one-for-seven share swap, valuing Blackwood at about £55m, was announced last week.

Mr Shute, 45, had been watching the chequered fortunes of this famous old name since 1972, when he started work as a salesman for a construction equipment maker. Before that he had worked at "lots of companies and in lots of factories". His patience had not run to completing the five-year electrical apprenticeship he began on leaving school at 17.

He formed his own company in 1979, "working from home and with my wife doing the typing".

Backed by the building group Beazer, he took on the

franchise to import Hitachi excavators.

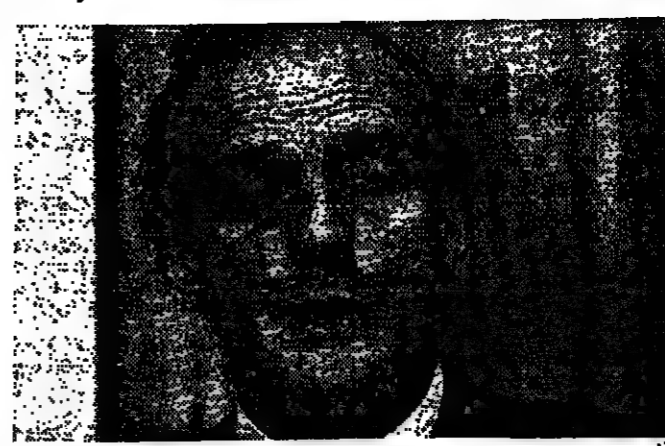
In 1984 - the year he was forced to give up rock climbing after breaking his arm for the sixth time - the plant sales business and other parts of Beazer's engineering division were injected into Braham Millar, an affable listed company.

Since then, BM has increased sales from less than £10m to £22m, pre-tax profit from £560,000 to £23m and earnings per share from 1.5p to 22.6p. Prior to the Blackwood move, it had only once been highly geared, at 82 per cent in March last year after a £15m cash acquisition. Gearing had been reduced to 20 per cent by June.

Taking on Blackwood will not only send gearing to more than 60 per cent, but also add a 28 per cent chunk of new equity. For someone who prides himself on his frugality with BM paper and who regards earnings per share as the top priority, Mr Shute has to be asked whether the recent can be maintained when many of the markets in which BM operates are in recession.

He describes himself as "quite miserly" when it comes to spending projects. "They have to submit a capital application form for everything over £250." The figure was fixed in 1983.

It might seem that someone with the strictness of an old-fashioned headmaster would demand his employees, but those who have observed the way he works say he is thought of as tough but fair, and he makes



Roger Shute - a stickler for financial discipline

financial discipline. Those who run the Blackwood subsidiaries will join a routine that includes weekly cash statements - "on my desk at 3.30pm on Friday", a monthly profit and loss account and balance sheet; and "a short report on the local economy, the order book, stocks, any movements by competitors".

He tries to be approachable, "walking onto the shop floor and talking to a man about his job, or having a drink with someone after work". His philosophy of treating people as equals goes back partly to his South Wales roots, where he saw plenty of people suffering from bad management, and partly to his own shop floor memories of what he disliked in those who managed him.

Although he has not met them, he has tried to learn from three business heroes: "Lord Weinstock for his cash management, Lord Hanson for his deal-making and Tony Rowland for his success in countries where everyone else

fails." As his group gets bigger - Blackwood's annual turnover more than twice that of BM - the task of selecting the right lieutenants becomes all the more important. Typically he has chosen people from the middle management ranks at acquisitions and his small head-office team is peppered with accountants.

Semi-seriously he says: "I look for someone with a wife, three children and a big mortgage because he will be ambitious."

He claims to have no great ambition of his own, "only to grow earnings per share at a rate higher than the average".

But maintaining the record now looks to be more difficult as he is taking on a problem company at a time when the chief markets - Canada, Australia and the US - are at best patchy and at worst in recession.

Mr Roger Pinnington, the chairman with whom Mr Shute negotiated, says that apart from the tougher trading conditions, Blackwood is in need of a culture change that he did not have the time or the resources to carry out. "It is sales-orientated rather than earnings-per-share/return-on-share business, which is more disciplined."

Although Mr Shute can point to acquisitions where this change in attitude has been effected - notably Bedford, the Warwickshire manufacturer of dump trucks - the scale of the challenge is of a different order this time.

NEWS DIGEST

Bilton edges ahead to £7.83m

FERCY BILTON, the property, building, civil engineering and plant hire group, yesterday reported a 3.6 per cent advance in taxable profits for the six months to June 30.

The outcome - up from £7.58m to £7.83m - was achieved on turnover down 31 per cent to £24.32m (£21.63m). Mr William Kennedy, chairman, said that new lettings and rent reviews had helped income rise by 11 per cent over the period.

The reversion to the group of 107,000 sq ft of industrial buildings at Fexvale, west London, "presents an opportunity for a significant increase in rental income", he stated.

Operating profits in property and investment totalled £9.45m (£8.51m), while construction, which includes housing activities, put in £2.07m (£2.05m). Civil engineering and plant hire performed well in a very competitive market.

A maintained interim dividend of 5.4p is payable from earnings per share of 13p (11.7p).

BHH falls to £4.3m at halfway stage

BHH Group, the property company where a management

buy-out attempt foundered in May, saw pre-tax profits fall from £5.9m to £4.2m in the six months to June 30.

Turnover, however, plummeted to £12.26m (£33.68). At the operating level, property investment made more at £3.98m (£2.78m) on turnover up at £8.96m (£5.96m), while property trading and development fell to £1.32m (£4.81m) on turnover sharply down at £5.4m (£27.62m).

Earnings dropped to 3.15p (7.75p) per share and the interim dividend is halved to 1p.

Rock falls into losses midway

A poor performance by Alex (UK), its air-conditioning equipment distributor, left Rock in the red at the interim stage.

However, the company said that sales had recovered and it expected to make profits in the current half.

Taxable losses for the component distribution group in the first half of 1990 were £288,000, against profits of £590,000, which included an exceptional credit of £687,000. Turnover was £4.42m (£3.56m). There was no contribution from the Energy Technique acquisition which was expected to make a profit in the second half.

Losses per share were 2.94p (4.69p). There was an extraordinary charge of £50,000 as a provision for losses and

costs on the sale of Kingston Locks.

Frogmore cushioned by property sales

Frogmore Estates, the property investment and trading group, yesterday reported a 14 per cent rise in pre-tax profits for the year to June 30.

The results were struck off an increase in profits on sale of investment properties to £19.08m (£15.42m).

Pre-tax profits on ordinary activities more than halved to £7.05m (£14.94m). The figure was reduced by a writedown of £3.52m in the estimated net value of trading properties.

Turnover fell to £44.16m (£70.75m).

The company said net assets per share had fallen from 580p to 523p. Earnings per share dropped to 14.2p (27.7p) and a proposed final dividend of 9.4p lifts the total by 1.3p to 13.3p.

Poor HGV market leaves Eadie in loss

The depressed state of the heavy goods vehicle market contributed to a £204,000 pre-tax loss at Eadie Holdings in the six months to June 30.

The interim dividend is omitted, but the group expects a better second half and a final dividend.

The loss compares with a £121m profit a year ago and came on turnover 15 per cent lower at £11.7m (£13.76m).

Losses per share were 0.88p (2.84p earnings).

Armour Trust gains 10% to £2.26m

Armour Trust, which makes confectionery and car accessories, increased taxable profits by 10 per cent from £2.05m to £2.26m in the year to April 30.

Turnover rose to £21.24m (£20.8m) with the confectionery and automotive sectors both showing improved sales and profits.

Earnings per 10p share worked through at 5.7p (3.6p). A final dividend of 1.07p is recommended, making a total of 1.35p (1.3p).

Ambrit loss falls to £217,000

Pre-tax losses at Ambrit International, USM-quoted oil and gas company, fell to £217,000 in the first half of 1990, against £875,000, which included an exceptional charge of £550,000.

The result was also helped by a lower interest cost of £14,000 (£171,000). The loss per share was 0.3p (5p).

Interest charges limit High-Point rise

Higher interest charges of £1.95m, against £213,000, limited the growth of annual pre-tax profits at High-Point, the project promotion and consultancy group, to £1.53m. This

was compared with £3.44m, which was struck after an exceptional charge of £127,000.

Turnover for the year to May 31 was £58.67m (£43.46m) giving an operating profit of £4.94m (£2.26m).

Earnings per share were 38.7p (£1.1p) while a final dividend of 4.55p (4.5p) lifts the total to 7.5p (6.75p).

Sharp improvement at Arcoelectric

A substantial expansion in interim profits was unveiled by Arcoelectric (Holdings), the Surrey-based electric and electronic components group.

On sales ahead from £5.2m to £5.45m, the pre-tax loss for the six months to end-June emerged at £271,136 (£128,158).

The interim dividend is maintained at 0.68p, payable from earnings of 3.61p (1.94p) per 5p share.

Trafford Park lower at £3.07m

Trafford Park Estates, property investment and development company, saw pre-tax profit fall £1.23m to £3.07m in the year to the end of June. The result was in spite of an increase in income from £9.38m to £11.44m.

After tax of £1.18m (£1.38m) earnings per share were 2.82p (4.58p). The proposed final dividend is being held at 1.75p, with a share option, for an unchanged total of 2.575p.

lifted pre-tax profits 29 per cent from £1.02m to £1.31m in the first half of 1990.

Turnover grew at a slower rate - from £2.5m to £2.58m - while earnings rose 41 per cent to 34.05p (24.13p). The interim dividend is raised to 10p (9p).

Wolstenholme Rink static at £1.8m

Taxable profits at Wolstenholme Rink, the manufacturer of products for printing and allied industries, rose just under 3 per cent to £1.8m in the first half of 1990. Turnover was also fractionally ahead at £21.6m, against £21.5m.

Earnings inched up to 13.9p (18.9p) and the interim dividend is maintained at 6.5p.

Corton Beach nearly halved to £1.23m

Corton Beach, the URM-quoted motor, food and leisure group, reported taxable profits almost halved from £2.26m to £1.23m for the six months to July 31.

Sales rose to £29.23 (£20.95m), but operating profits were little changed at £2m (£2.1m). Earnings per share fell to 1.1p (5p) basic, and 0.81p (4.58p) diluted.

Joseph Holt brews up 14% increase

Joseph Holt, the Manchester-based brewer, lifted taxable profits by 14 per cent in the six months to June 30.

The increase - from £2.62m to £2.76m - was achieved on turnover ahead a commensurate amount to £8.5m (£7.32m).

After tax of £965,241 (£846,556), earnings per share emerged at 59.74p, up from 52.11p last time. The interim dividend goes up 1p to 5p.

Churchbury rises 66% to £8.98m

Churchbury Estates, a property investment and development company, reported taxable profit for the year to March 31 up from £5.41m to £8.98m, a rise of 66 per cent.

Only £1,000 came from sale of building properties, against a loss of £1,000.

There was a tax credit of £430,000 (£2.04m charge) for earnings of 72.3p (25.51p).

Agent Bank: Lloyd's Bank Plc

Avonmore shows decline to £5.07m

Avonmore Foods, the acquisition Irish dairy-based food products and ingredients group, saw a near-10 per cent decline to £5.07m (£5.68m) in taxable profits for the six months to June 30.

The fall from last time's £5.68m came on turnover of £22.23m (£21.77m). Earnings per share worked through at 3.34p (3.8p) and the interim dividend is held at 1.26p.

Oil price rise leads to caution at Toye

Toye, which manufactures civil and military regalia from its London base, lifted taxable profits from £22,106 to £270,786 in the first half of 1990. However, Mr Bryan Toye, chairman, said that opportunities for trade were being hampered by the strengthening oil price, which "materially affects the fiscal policies of third world countries" and their ability to purchase "non-strategic" goods.

Sales totalled £5.3m (£4.98m). Earnings per share advanced to 10.5p (8.9p).

Camellia advances 29% to £1.32m

Camellia Investments, an investment holding company,

FROGMORE

FROGMORE ESTATES PLC
RESULTS FOR THE YEAR ENDED
30TH JUNE 1990

HIGHLIGHTS

- Total Pre-Tax Profits of £26.1m
- Dividend increased by 11.8%
- Rent Roll up by 40% to £16.8m
- Borrowings of £41m are approximately 20% of shareholders' funds of £209m
- Net Assets per share 523p
- No developments or vacant buildings of any significance.
- "The total profit earned of £26.1m is considered a most satisfactory result in the present climate. During the year, sales of various types of property amounted to £64m without any significant loss and limited funds have been reinvested as opportunities arose. The present low level of borrowing puts the company in a secure financial position well placed to make acquisitions at the appropriate time."

The Annual Report and Accounts will be circulated to shareholders on 16th October 1990 and copies will be available from the company's registered office at 8 Manchester Square, London W1A 2PZ. (Tel: 071-224 4543)

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Southdown Building Society. Bigger, stronger, even better. With more branches, greater security and a wider range of products and services.

With assets of more than £750 million, 48 branches, 16 agencies, an integral estate agency network and close links throughout the world of finance, we can satisfy the demands of today's increasingly competitive markets.

We've a reputation for innovation. First to "do" a major insurance company, first to launch a mortgage servicing facility, founder member of the LINK national cash network and now right in touch with the many new opportunities open to our industry.

Our close contact with the international banking and insurance community, both in the City and abroad, demonstrates our progressive approach. Furthermore, this is backed by more than a century of solid business experience. We know what our customers need and we're confident that we can satisfy them.

Southdown is committed to a policy of innovation and continuous product development - a policy that will consolidate our new ranking in the UK's top 30 building societies.

SOUTHDOWN BUILDING SOCIETY

Financing your future

Head Office: 40/42 Friar Walk, Lewes, East Sussex. BN7 2LW

Milk Marketing Board

£75,000,000 Floating Rate Notes 1993

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 28th September, 1990 to 31st December, 1990 has been fixed at 15 1/4 per cent. per annum. Coupon No. 19 will therefore be payable on 31st December, 1990 at £1,939.55 per coupon from Notes of £50,000 nominal and £193.95 per coupon from Notes of £5,000 nominal.

S.G. WARBURG & CO. LTD. Agent Bank

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WE CAN HELP TURN YOUR PLANS INTO ACTION.



Please complete your name and address, giving company details if appropriate. Then complete the section which applies to you. Tick boxes to indicate "Yes", leave them blank for "No". Tick more than one box if appropriate. All replies are treated in the strictest confidence. Post this completed survey to 3i, The Wheel of Change in Business, FREEPOST, 91 Waterloo Road, London SE1 8BR.

Name: Mr/Mrs/Miss/Ms _____

Position/Job Title _____

Company Name _____

Type of Business _____

Address Home ☐ or Business ☐ (Please tick)

Postcode _____

Telephone _____ Your Date of Birth: / / _____

INDIVIDUALS

- When are you planning to own and manage your own business?
In 1 year ☐ 2-3 years ☐ 3-4 years ☐ 5+ years ☐
- How are you planning to gain ownership of your own business?
Management Buy-out ☐ Management Buy-in ☐ Start a new business ☐
I need to find out more about the various methods of owning my own business ☐
- For a Management Buy-in, have you identified a target company? Yes ☐ No ☐

GETTING INTO BUSINESS

- Do you have a start up idea?
In mind ☐ Prepared a business plan ☐ Not yet ☐
Already started but need additional capital ☐
- In which industry are you planning to start your business?
- Have you put together a management team? Yes ☐ No ☐
- When are you planning to start your business?
In 1 year ☐ 2-3 years ☐ 3-4 years ☐ 5+ years ☐

GROWING A BUSINESS

- How are you planning to grow your business?
Acquire another business ☐ Develop a new product/market ☐
Change location ☐ Or are you growing faster than your finances will allow? ☐
- How much capital do you estimate you will need to fund your growth in the next 2 years?
Up to £100,000 ☐ £100,000 - £500,000 ☐
£500,000 - £1m ☐ More than £1m ☐

CHANGE OF OWNERSHIP

- Having built up your business do you want to:
Pass it on to the next generation in your family? ☐
Realise some cash as a reward for all your effort but stay involved? ☐
Sell your shareholding? ☐ Sell your business? ☐
Sell to the management team, or strengthen the management team in order to sell to them in the future? ☐
- By when do you expect to have achieved these plans?
Over the next year ☐ Over the next 2 years ☐ Over the next 5 years ☐

LARGE BUSINESS (Turnover £100m +)

- Large businesses face key strategic issues in the 90s concerning shareholder value, the problems of short-termism, and the role of middle management.
3i has prepared several publications which focus on the issues and challenges facing corporate management. Please indicate if you would like to receive a copy of the following:
☐ Generating Shareholder Value - an in-depth report.
☐ PLC UK - Corporate Attitudes to Stock Market Valuations - a Survey of 200 Finance Directors.
☐ Towards the Entrepreneurial & Empowering Organisation - a transcript of a major conference held in association with Tom Peters.

ADVISERS

- If you are a financial or legal adviser to businesses and would like to find out more about 3i and venture capital, please tick this box. ☐

MAKE IT YOUR BUSINESS TO CHANGE

Y. Techs. Inc.	11 7/8	+		
Y. Inc.	6 1/2			
Canada	7 3/4	+	52 1/2	3 3/4
Mer. Std. Can.	1 1/8		\$1.08	5 1/2
Port of Bay	7 1/2	+1 1/2	60 1/2	5 1/8
Oil	3 1/2	+1 1/2	\$1.80	2 1/8

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● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128.

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Black Sea L100	215				13.5

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and other official estimates for 1990-91. G Assumed yield after transfer to similar rates from 1989-90 and yield based on prospectus or other official estimates. I Dividend yield based on prospectus or other official estimates for 1990. L Estimated annualized dividend yield based on prospectus or other official estimates for 1989-90. M Dividend yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1989-90. R Forecast annualized dividend yield based on prospectus or other official estimates. Y Yield based on prospectus or other official estimates. Y Dividend Yield W Pro Forma Figures. Z Dividend total to date. ¹ Dividend yield based on current bid, or as nearly low, or as right; as an approximate estimate of the actual distribution.

INTERNATIONAL & IRISH STOCKS

Yield on the following international stocks, the latter being quoted in Irish currency.

	CL - %	700			
	CL - %	1,200			
	CL - %	1,500			
IRISH					
	CL - %	1,200			
	CL - %	1,500			
	CL - %	1,800			
	CL - %	2,100			
	CL - %	2,400			
	CL - %	2,700			
	CL - %	3,000			
	CL - %	3,300			
	CL - %	3,600			
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THE UNIVERSITY OF CHICAGO

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UNIT TRUSTS									
Unit Trust Name	Manager	Investment Objective	Assets Under Management (£m)	Units in Issue (m)	Unit Price (£)	NAV (£)	YTD % Chg	1 Year % Chg	3 Year % Chg
Equity Funds									
Blackburn Life Assurance Co Ltd	Blackburn Life Assurance Co Ltd	Equity	1,200	100	1.20	1.18	+5.0%	+12.0%	+35.0%
Blackburn Life Assurance Co Ltd	Blackburn Life Assurance Co Ltd	Equity	1,200	100	1.20	1.18	+5.0%	+12.0%	+35.0%
Fixed Income Funds									
Blackburn Life Assurance Co Ltd	Blackburn Life Assurance Co Ltd	Fixed Income	1,200	100	1.20	1.18	+2.0%	+5.0%	+15.0%
Blackburn Life Assurance Co Ltd	Blackburn Life Assurance Co Ltd	Fixed Income	1,200	100	1.20	1.18	+2.0%	+5.0%	+15.0%
Money Market Funds									
Blackburn Life Assurance Co Ltd	Blackburn Life Assurance Co Ltd	Money Market	1,200	100	1.20	1.18	+0.5%	+1.0%	+3.0%
Blackburn Life Assurance Co Ltd	Blackburn Life Assurance Co Ltd	Money Market	1,200	100	1.20	1.18	+0.5%	+1.0%	+3.0%
Other Funds									
Blackburn Life Assurance Co Ltd	Blackburn Life Assurance Co Ltd	Other	1,200	100	1.20	1.18	+1.0%	+2.0%	+8.0%
Blackburn Life Assurance Co Ltd	Blackburn Life Assurance Co Ltd	Other	1,200	100	1.20	1.18	+1.0%	+2.0%	+8.0%

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (STB RECOGNISE)

GUERNSEY (SIB) RECOGNISED

BEV-Hambros Asset Mgmt (Europe)
PO Box 255, St. Peter Port, Guernsey GY 99

Maximum Yield	100.00	0.99	
Market Yield	100.00	0.99	
Strategic Inc. & Cash	100.00	0.99	

Int'l Equity Mgmt	5	12.60%	0.60%	0.7351
Int'l Equity Mgmt	5	12.67%	0.67%	0.7387

Guinness Flight Fd Mgrs (Entrance)
 22 Rue 250 St Peter Port, Guernsey . . . 1477

Swiss franc: Money	57.538	100
Italian Currency Act	58.96	61.12
Italian Currency Dist	34.98	36.10

The 1942 Fund	12.85	13.94	+8.48%
Global Strategy Fund	26.57	21.22	+24.45%
USS Money Fund	18.32	18.31	+0.05%

USS Bond Fund	21.95	22.94
GE & Svc Bond	9.58	10.03
Stamps Fund 1st Cls	11.84	12.40

UK Fund	18.01	24.12
Japan & Pacific Fd	67.84	71.81
European Fund	84.94	90.29

Harcovers Fd Mgmt COO Ltd
PO Box 86, Gwent

ESMA Year Bond	9 1/2	Y2.417	2.417	2.502	
ESMA Cont. Em. Bond	5 1/2	100.516	43.565	45.287	46
ESMA E. Money	3 1/2	130.775	10.375	10.744	46

Currency Euro Mkt . . . 4	163.38	43.203	55.391	81
Currency E. Mkt . . . 4	138.405	18.405	19.157	48
Currency S. Mkt . . . 4	127.428	27.428	28.525	40

QUUS	Japan	3,483	4,349	4,620	-2
QUUS	Japan	3,483	4,349	4,620	-2
QUUS	Japan	3,483	4,349	4,620	-2

Starling	0	23.3%	21.3%	21.3%
US Dollar	0	58.5%	58.5%	58.5%

FD Box 44, Emeryville, CA				0481
CS Far East Group [®] - 5	124.68	14.68	18.01	-0
CS Citi [®] - 24	123.32	12.32	12.34	

Japanese	5	50.118	0.7178	0.7646	1.0
Intl Eqty Grwth Acc ¹	5	296.8	296.8	316.7	-2
Intl Eqty Grwth Inc ²	5	175.8	175.8	187.6	-1

Global Active	1/2	81.226	8.226	8.389
UK Active	1/2	89.146	9.146	9.562
UK 1 month Assets	1/2	110.00	10.00	10.00

Lloyds Intl Money Market Fund Ltd.
 Savills Hse, Le Truchot, St. Peter Port, Guernsey

Hong Kong Dollar	HK\$	102.802
Japanese Yen	¥	2396.70
New Zealand Dollar	\$NZ	1.5 200

Dealing every Wednesday.
M. & G. Island Food

PD Box 208, St. Peter Port, Guernsey GY9 1LW
Global Growth 5% 10.28 10.28 11.14 11.0

FD Box 242, St. Peter Port, Guernsey GY9 2 0002 7
DC American Fd 6 54.437 4.437 4.779 (48)
DC Houston Fd 6 100.00 100.00 112.40 (11)

OCREL D10	66.154	26.154	10.0
OCREL D10	69.651	69.651	0.0
OCREL D10	72.100	72.100	0.0

OCNL SF	57.27	57.27
OCNL PL	29.10	29.10
OCNL SF	60.13	60.13

OCFBL	MAN AS	3	29.947	29.947	30.578	9.631
OCFBL	MAN WZS	3	30.603	30.603	31.15	10.548
OCFBL	F	3	31.15	31.15	31.15	10.548

DOCFL ECU	100.00	100.00	100.00	100.00
DOCFL ECU	100.00	100.00	100.00	100.00
DOCFL ECU	100.00	100.00	100.00	100.00
DOCFL ECU	100.00	100.00	100.00	100.00

DOCP	SeFr	115.77	115.77
DOCP	SeFr	30.96	30.96
DOCP	U.S.	125.43	125.43
DOCP	Ym	115.77	115.77

FD Box 246, St. Peter Port, Guernsey D481 77
and Capital Fd 5/10/99 43.94-52.04 52

255 C	35.15	
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Latest RBC Fund Prices 24hr service 0481 719871

Price	Price	+ or -

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Some business travellers will change neither hotel nor newspaper. That's why they are particularly happy to find complimentary copies of the Financial Times at the following hotels in Strasbourg: Les Rohan, Le Grand Hôtel, Hôtel Métropole, Hôtel Continental, Hotel Hilton International.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 47



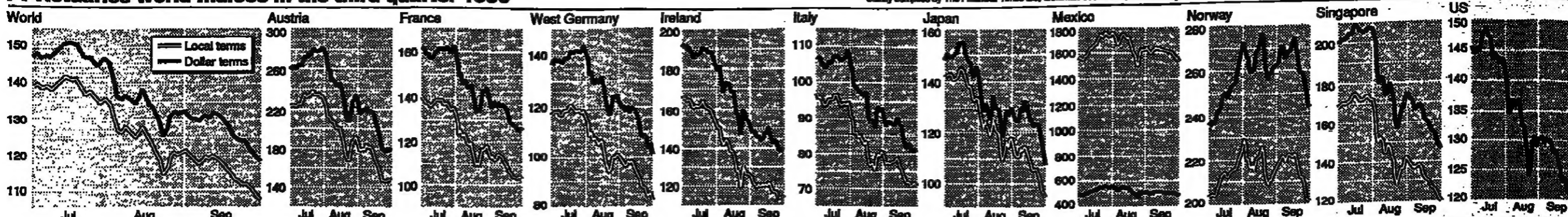
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NYSE COMPOSITE PRICES

Stock	High	Low	Open	Close	Change	Volume	Div. Yield	52 Week High	52 Week Low
IBM	111.25	110.75	111.00	110.75	-0.25	1,200,000	4.8%	115.00	105.00
Microsoft	55.00	54.50	54.75	54.50	-0.25	800,000	1.2%	60.00	45.00
Apple	45.00	44.50	44.75	44.50	-0.25	600,000	1.5%	50.00	35.00
Oracle	40.00	39.50	39.75	39.50	-0.25	400,000	1.8%	45.00	30.00
Novell	35.00	34.50	34.75	34.50	-0.25	300,000	2.0%	40.00	25.00
Lotus	30.00	29.50	29.75	29.50	-0.25	200,000	2.2%	35.00	20.00
Intuit	25.00	24.50	24.75	24.50	-0.25	100,000	2.5%	30.00	15.00
Parsons	20.00	19.50	19.75	19.50	-0.25	50,000	2.8%	25.00	10.00
Boeing	15.00	14.50	14.75	14.50	-0.25	40,000	3.0%	20.00	5.00
McDonald's	10.00	9.50	9.75	9.50	-0.25	30,000	3.2%	15.00	0.00
Wendy's	8.00	7.50	7.75	7.50	-0.25	20,000	3.5%	12.00	0.00
Sonic Drive-Ins	7.00	6.50	6.75	6.50	-0.25	15,000	3.8%	10.00	0.00
7-Eleven	6.00	5.50	5.75	5.50	-0.25	10,000	4.0%	8.00	0.00
Circle K	5.00	4.50	4.75	4.50	-0.25	5,000	4.2%	6.00	0.00
Wawa	4.00	3.50	3.75	3.50	-0.25	2,000	4.5%	5.00	0.00
Sheetz	3.00	2.50	2.75	2.50	-0.25	1,000	4.8%	4.00	0.00
Arby's	2.00	1.50	1.75	1.50	-0.25	500	5.0%	3.00	0.00
Jack-in-the-Box	1.50	1.00	1.25	1.00	-0.25	300	5.2%	2.00	0.00
Hardee's	1.00	0.50	0.75	0.50	-0.25	200	5.5%	1.50	0.00
Long John Silver's	0.50	0.25	0.375	0.25	-0.25	100	5.8%	1.00	0.00
Wendy's International	0.25	0.125	0.1875	0.125	-0.125	50	6.0%	0.50	0.00
7-Eleven Inc.	0.125	0.0625	0.09375	0.0625	-0.0625	25	6.2%	0.25	0.00
Circle K Stores	0.0625	0.03125	0.046875	0.03125	-0.03125	12	6.5%	0.125	0.00
Wawa Inc.	0.03125	0.015625	0.0234375	0.015625	-0.015625	6	6.8%	0.0625	0.00
Sheetz Inc.	0.015625	0.0078125	0.01171875	0.0078125	-0.0078125	3	7.0%	0.03125	0.00
Arby's Inc.	0.0078125	0.00390625	0.005859375	0.00390625	-0.00390625	1	7.2%	0.015625	0.00
Jack-in-the-Box Inc.	0.00390625	0.001953125	0.0029296875	0.001953125	-0.001953125	0	7.5%	0.0078125	0.00
Hardee's Inc.	0.001953125	0.0009765625	0.00146484375	0.0009765625	-0.0009765625	0	7.8%	0.00390625	0.00
Long John Silver's Inc.	0.0009765625	0.00048828125	0.000732421875	0.00048828125	-0.00048828125	0	8.0%	0.001953125	0.00
Wendy's International Inc.	0.00048828125	0.000244140625	0.0003662109375	0.000244140625	-0.000244140625	0	8.2%	0.0009765625	0.00
7-Eleven Inc.	0.000244140625	0.0001220703125	0.00018310546875	0.0001220703125	-0.0001220703125	0	8.5%	0.00048828125	0.00
Circle K Stores Inc.	0.0001220703125	0.00006103515625	0.000091552734375	0.00006103515625	-0.00006103515625	0	8.8%	0.000244140625	0.00
Wawa Inc.	0.00006103515625	0.000030517578125	0.0000457763671875	0.000030517578125	-0.000030517578125	0	9.0%	0.0001220703125	0.00
Sheetz Inc.	0.000030517578125	0.0000152587890625	0.00002288818359375	0.0000152587890625	-0.0000152587890625	0	9.2%	0.00006103515625	0.00
Arby's Inc.	0.0000152587890625	0.00000762939453125	0.000011444091796875	0.00000762939453125	-0.00000762939453125	0	9.5%	0.000030517578125	0.00
Jack-in-the-Box Inc.	0.00000762939453125	0.000003814697265625	0.0000057220458984375	0.000003814697265625	-0.000003814697265625	0	9.8%	0.0000152587890625	0.00
Hardee's Inc.	0.000003814697265625	0.0000019073486328125	0.00000286102294921875	0.0000019073486328125	-0.0000019073486328125	0	10.0%	0.00000762939453125	0.00
Long John Silver's Inc.	0.0000019073486328125	0.00000095367431640625	0.000001430511474609375	0.00000095367431640625	-0.00000095367431640625	0	10.2%	0.000003814697265625	0.00
Wendy's International Inc.	0.00000095367431640625	0.000000476837158203125	0.0000007152557373046875	0.000000476837158203125	-0.000000476837158203125	0	10.5%	0.0000019073486328125	0.00
7-Eleven Inc.	0.000000476837158203125	0.0000002384185791015625	0.00000035762786865234375	0.0000002384185791015625	-0.0000002384185791015625	0	10.8%	0.00000095367431640625	0.00
Circle K Stores Inc.	0.0000002384185791015625	0.00000011920928955078125	0.000000178813934326171875	0.00000011920928955078125	-0.00000011920928955078125	0	11.0%	0.000000476837158203125	0.00
Wawa Inc.	0.00000011920928955078125	0.000000059604644775390625	0.0000000894069671630859375	0.000000059604644775390625	-0.000000059604644775390625	0	11.2%	0.0000002384185791015625	0.00
Sheetz Inc.	0.000000059604644775390625	0.0000000298023223876953125	0.00000004470348358154296875	0.0000000298023223876953125	-0.0000000298023223876953125	0	11.5%	0.00000011920928955078125	0.00
Arby's Inc.	0.0000000298023223876953125	0.00000001490116119384765625	0.00000002235174179077145625	0.00000001490116119384765625	-0.00000001490116119384765625	0	11.8%	0.000000059604644775390625	0.00
Jack-in-the-Box Inc.	0.00000001490116119384765625	0.000000007450580596923828125	0.00000001117587089538571875	0.000000007450580596923828125	-0.000000007450580596923828125	0	12.0%	0.0000000298023223876953125	0.00
Hardee's Inc.	0.000000007450580596923828125	0.0000000037252902984619140625	0.0000000055879354476928515625	0.0000000037252902984619140625	-0.0000000037252902984619140625	0	12.2%	0.00000001490116119384765625	0.00
Long John Silver's Inc.	0.0000000037252902984619140625	0.00000000186264514923095703125	0.000000002793967723846428515625	0.00000000186264514923095703125	-0.00000000186264514923095703125	0	12.5%	0.000000007450580596923828125	0.00
Wendy's International Inc.	0.00000000186264514923095703125	0.000000000931322574615478515625	0.00000000139698386192321428515625	0.000000000931322574615478515625	-0.000000000931322574615478515625	0	12.8%	0.0000000037252902984619140625	0.00
7-Eleven Inc.	0.000000000931322574615478515625	0.0000000004656612873077392578125	0.0000000006984919309616071428515625	0.0000000004656612873077392578125	-0.0000000004656612873077392578125	0	13.0%	0.00000000186264514923095703125	0.00
Circle K Stores Inc.	0.0000000004656612873077392578125	0.00000000023283064365386962890625	0.000000000349245965480803571428515625	0.00000000023283064365386962890625	-0.00000000023283064365386962890625	0	13.2%	0.000000000931322574615478515625	0.00
Wawa Inc.	0.00000000023283064365386962890625	0.000000000116415321826934814453125	0.00000000017462298274040178571428515625	0.000000000116415321826934814453125	-0.000000000116415321826934814453125	0	13.5%	0.0000000004656612873077392578125	0.00
Sheetz Inc.	0.000000000116415321826934814453125	0.0000000000582076609134674072265625	0.0000000000873114913702008928571428515625	0.0000000000582076609134674072265625	-0.0000000000582076609134674072265625	0	13.8%	0.00000000023283064365386962890625	0.00
Arby's Inc.	0.0000000000582076609134674072265625	0.00000000002910383045673370361328125	0.000000000043655745685100446428515625	0.00000000002910383045673370361328125	-0.00000000002910383045673370361328125	0	14.0%	0.000000000116415321826934814453125	0.00
Jack-in-the-Box Inc.	0.00000000002910383045673370361328125	0.000000000014551915228366851806640625	0.00000000002182787284255022321428515625	0.000000000014551915228366851806640625	-0.000000000014551915228366851806640625	0	14.2%	0.0000000000582076609134674072265625	0.00
Hardee's Inc.	0.000000000014551915228366851806640625	0.0000000000072759576141834259033203125	0.0000000000109139364212751116071428515625	0.0000000000072759576141834259033203125	-0.0000000000072759576141834259033203125	0	14.5%	0.00000000002910383045673370361328125	0.00
Long John Silver's Inc.	0.0000000000072759576141834259033203125	0.00000000000363797880709171295166015625	0.000000000005456968210637555803571428515625	0.00000000000363797880709171295166015625	-0.00000000000363797880709171295166015625	0	14.8%	0.000000000014551915228366851806640625	0.00
Wendy's International Inc.	0.00000000000363797880709171295166015625	0.000000000001818989403545856475830078125	0.00000000000272848410531877790178571428515625	0.000000000001818989403545856475830078125	-0.000000000001818989403545856475830078125	0	15.0%	0.0000000000072759576141834259033203125	0.00
7-Eleven Inc.	0.000000000001818989403545856475830078125	0.0000000000009094947017729282379150390625	0.0000000000013642420526593889508928515625	0.0000000000009094947017729282379150390625	-0.0000000000009094947017729282379150390625	0	15.2%	0.00000000000363797880709171295166015625	0.00
Circle K Stores Inc.	0.0000000000009094947017729282379150390625	0.00000000000045474735088646411895751953125	0.000000000000682121026329694475446428515625	0.00000000000045474735088646411895751953125	-0.00000000000045474735088646411895751953125	0	15.5%	0.000000000001818989403545856475830078125	0.00
Wawa Inc.	0.00000000000045474735088646411895751953125	0.000000000000227373675443232059478759765625	0.0000000000003410605131648472377188571428515625	0.000000000000227373675443232059478759765625	-0.000000000000227373675443232059478759765625	0	15.8%	0.0000000000009094947017729282379150390625	0.00
Sheetz Inc.	0.000000000000227373675443232059478759765625	0.0000000000001136868377216160297393798828125	0.000000000000170530256582423618859428515625	0.0000000000001136868377216160297393798828125	-0.0000000000001136868377216160297393798828125	0	16.0%	0.00000000000045474735088646411895751953125	0.00
Arby's Inc.	0.0000000000001136868377216160297393798828125	0.00000000000005684341886080301486968994140625	0.00000000000008526512829121180942971428515625	0.00000000000005684341886080301486968994140625	-0.00000000000005684341886080301486968994140625	0	16.2%	0.000000000000227373675443232059478759765625	0.00
Jack-in-the-Box Inc.	0.00000000000005684341886080301486968994140625	0.0000000000000284217094304015074348449707140625	0.0000000000000426325641456059047148571428515625	0.0000000000000284217094304015074348449707140625	-0.0000000000000284217094304015074348449707140625	0	16.5%	0.0000000000001136868377216160297393798828125	0.00
Hardee's Inc.	0.0000000000000284217094304015074348449707140625	0.0000000000000142108547152007537174224853515625	0.000000000000021316282072802952357428515625	0.0000000000000142108547152007537174224853515625	-0.0000000000000142108547152007537174224853515625	0	16.8%	0.00000000000005684341886080301486968994140625	0.00
Long John Silver's Inc.	0.0000000000000142108547152007537174224853515625	0.0000000000000071054273576003768587112242678125	0.00000000000001065814103640147617871428515625	0.00000000000000710542735760037685871					

WORLD STOCK MARKETS

FT-Actuaries World Indices in the third quarter 1990



AMERICA

Conciliatory gestures prompt rally in Dow

Wall Street

CONCILIATORY statements by President Bush and Iraqi President Saddam Hussein prompted a stock market rally yesterday as the prospect of war in the Gulf started to recede and oil prices fell, writes Karen Zagor in New York.

The Dow Jones Industrial Average was up 63.86 at 2,615.84, its biggest gain since August 27. Trading on the New York Stock Exchange was heavy, with 202.2m shares changing hands. The morning surge in the DJIA triggered the New York Stock Exchange's downward rule restricting computer-driven programme buying. On Friday, the Dow closed up 25 at 2,642.48 on heavy vol-

ume of 202.7m shares. The gains were broadly based, with the Standard & Poor's 500 index up 8.88 at 314.98. On the big board, advancing issues led those declining by 1,192 to 432.

The equity market also received some support from the Federal budget agreement at the weekend and a deficit reduction package.

The rally in equities carried into the bond market, which opened on a muted note but moved sharply higher by the early afternoon, when the treasury's bellwether long bond was quoted 1/4 higher for a yield of 8.63 per cent.

Oil prices tumbled with traders taking profits for the first time in two weeks. In late trading November crude oil was

quoted \$2.42 lower at \$37.09 a barrel after posting modest gains at the start of trading.

As oil futures fell, oil service companies retreated. Helmerich & Payne, a contract drilling company, dropped 1/4 to \$20 1/2, and Rowan lost 1/4 to \$12 1/4. Oil service companies were also hit, with Halliburton sliding 1/4 to \$49 1/2, Dresser Industries 1/4 to \$18 1/2, and Schlumberger by 1/4 to \$38.

Shares in oil production companies were mixed, with Teco down 1/4 to \$60 1/2, Exxon up 1/4 to \$49 1/2, and Amoco 1/4 lower at \$56 1/2.

Yesterday's decline in gold prices depressed gold stocks. Asa lost \$2 to \$47 1/2. Newmont Mining slid 1/4 to \$39 1/2, and Battle Mountain Gold moved 1/4 lower to \$9 1/2.

Monsanto added \$2 to \$41 after an analyst at First Boston upgraded his investment rating for the stock and increased his 1991 earnings projections.

Rice chip issues were very active, with Philip Morris gaining 3/4 to \$47 1/2, General Electric rising 1/4 to \$24 1/2, and AT&T improving 1/4 to \$32 1/2.

Waste Management moved 1/4 higher to \$94 1/2 in heavy trading, although a services analyst downgraded his investment rating of the company's Chemical Waste Management subsidiary.

Over-the-counter stocks also surged with the NASDAQ Composite up 10.14 at 854.65.

Sun Microsystems jumped \$2 1/2 to \$24 on reports that 58 Compaq might acquire some

high-powered microprocessors from Sun. Shares in Sun Microsystems plunged \$3 on Friday after Goldman Sachs lowered its earnings estimates.

Canada

TORONTO share prices closed higher in moderate trading in spite of a sharp decline in gold stocks.

The composite index was up 16.3 to 3,175.87 while declines outnumbered advances 296 to 254. Volume of 20.08m shares valued at C\$214.4m was off from Friday's 21.4m shares worth C\$283.8m.

Consumer products shares and mining stocks were both up more than 1 per cent and transportation issues gained 3.64 per cent.

ASIA PACIFIC

Nikkei falls again in worst sustained decline since 1950

Tokyo

WIDESPREAD individual selling overwhelmed early buyers yesterday and the Nikkei average took another sharp plunge, bringing Tokyo's loss this year to its second biggest in the post-war era, writes Michiko Nakamoto in Tokyo.

The Nikkei dropped more than 1,100 in late afternoon to less than 20,000 for the first time since November 1989, losing 47.58 to 12,934.49 and, in London, the JSE/Nikkei 50 index rose 28.35 to 1,230.32.

The worsening business outlook took its toll of the financial sector, where falls were sharp and far-ranging. Industrial Bank of Japan shed Y120 to Y2,200 and Nomura Securities lost Y80 to Y1,440.

Shares which had risen on rumours of speculative buying came under pressure on worries about the finances of the predators. Kurabo Industries dropped Y220 to Y1,250 and Honsha Paper Y490 to Y3,400.

High-tech electricals were strong on the argument that their p/e ratios were now close to overseas market levels. Hitachi, second in volume with 12.5m shares, gained Y50 to Y1,190. Toshiba Y15 to Y1,740 and Matsushita Y100 to Y1,760.

Casualties through 22,000 for the first time since January 1988, losing 1,316.81 to 22,384.24. Turnover shrank from Friday's surprising 366.6m shares to 40.5m.

Steps have already been taken in the first two areas. Finance Ministry officials, while admitting that measures were being studied, declined to comment on what, specifically, was being considered.

The day's low was 12,934.49, and the high 21,075.50. Declines led advances by 676 to 72 with 59 unchanged, and turnover was a sluggish 400m shares, down from 450m. The Topix index fell under 1,500 for the first time since November 1989, losing 47.58 to 1,230.32 and, in London, the JSE/Nikkei 50 index rose 28.35 to 1,230.32.

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gain-hunting helped some to finish higher. Kuala Lumpur, Seoul and Bombay were closed.

AUSTRALIA saw News Corp drop A\$1 to A\$6.50, sending the media index hurtling 35.11 or 10.6 per cent down to 2,364.4. The company's stock has been under pressure recently on concerns over its debt, and in reaction to a capital restructuring which could lead to earnings dilution. Tokyo's weakness also weighed on prices. The All Ordinaries index fell ending 18.4 down to 1,385.7, but off its low of 1,380.0.

Volume was thin as Sydney was closed for a holiday, falling to A\$121.6m from A\$289m.

TAIWAN fell 5.3 per cent to its lowest level since mid-January 1988, in response to Tokyo and the continued uncertainty in the Middle East. The weighted index lost 144.54 to 2,580.47, after the market's closure on Friday and Saturday. Turnover was T\$11.65m, down from T\$16.44m.

MANILA was unmoved by Tokyo's fall and by another pre-dawn bomb blast. The composite index lost 11.05 to a 41-month low of \$35.50. Volume halved to 62.5m pesos.

HONG KONG, BANGKOK and SINGAPORE all rose on bargain-hunting, although trading remained quiet.

SOUTH AFRICA

JOHANNESBURG golds followed the slide in world bullion prices to under \$400 an ounce, the all-gold index falling 65 to 1,603. Related mining financials eased sharply in sympathy, and the industrial index fell 20 to 2,440.

EUROPE

Bourses stage technical rally in thin volume

BOURSES moved up on the US budget pact, hopes for world interest rates and on technical considerations, writes Our Markets Staff.

FRANKFURT put on a 5.4 per cent at the Bundesbank's average bond yield fell two basis points to 9.19 per cent. The DAX index closed 85.84 higher at 1,420.73 after a 30.25, or 5.3 per cent gain in the FAZ at mid-session. Volume remained low at DM4.9m after DM4.7m.

But the rise seemed to have much to do with technicalities, and little to do with fundamentals. "It was not a normal atmosphere; no-one was laughing, nobody really participated," said Mr Jens Wierckling of Merck Finck in Düsseldorf. He thought that short covering from the Deutsche Termin-

bourse followed by some small domestic and UK buying had exaggerated the uptrend.

A number of stocks put on more than 10 per cent, including Bilfinger & Berger, the construction group, and Luft-hansa. But Porsche only rose DM2 to DM734, following news of a US plan to introduce a tax on luxury cars.

PARIS took heart from reports that the Government would continue its favourable fiscal stance towards companies, especially regarding reinvested profits. In the upcoming budget. But trading was mainly futures-driven, with volume estimated at around FF22m. The CAC 40 index rose 45.08 or 3.3 per cent to 1,540.81.

Foreign institutions continued to be sidelined, and reports

that redemptions were forcing domestic unit trusts to sell hung over the market.

Peugeot, due to announce its interim results today, rose FF22 to FF762, while Thomson-CSF lagged behind the market, adding only FF1 to FF101 following last week's fall in net attributable profit.

MILAN followed the other bourses higher, with the Comit index rising 5.01 to 582.53.

There was isolated buying of defensive stocks, such as Unilever which rose FI.40 to FI.137.00 and Ahold which added FI.190 to FI.124.40.

ZURICH rose in thin trade, the Credit Suisse index adding 16.2, or 3.4 per cent to 495.3. Roche certificates rose SF110 to SF120 as shares began to circulate about Accutane, a drug which is said to prevent

cancer, and denials that Mr Werner Rey planned to sell his stake in Adia, the services company, saw the latter down from an intraday peak of SF1,000 to SF855 for a net gain of SF20 on the day.

COPENHAGEN saw Hafnia Holding rise DKR25 to DKR90 after offering to pay DKR1,000 each for any new shares issued by Bellica Holding, in which it has a 28.7 per cent holding.

IN BRUSSELS, Société Générale de Belgique eased BF10 to BF2,020 after Mr Carlo de Benedetti said he wanted to sell the rest of his holding.

ATHENS, which had been shut by strike action since Tuesday, dropped 5.9 per cent, as the general index lost 67.84 to 1,052.48.

Stockholm chickens come home to roost

Robert Taylor explains why Swedish equities have the jitters

LAST WEEK, Stockholm's performance was the worst of any stock market in the world. Hounded down by troubles in the UK property industry, translated into the Swedish financial sector, the Affärsvärlden general index dropped by 14.3 per cent, the biggest fall on record and much grimmer than the setback in October-November 1987 after the Wall Street crash.

Yesterday the bourse staged an apparently strong recovery with a 5.1 per cent improvement in the index, which was the best performance of all the European stock markets except Frankfurt. This stemmed in part from a belief that, for three of Sweden's larger financial investment companies, last week's troubles were coming to a satisfactory conclusion.

Perhaps last week's panic was an over-reaction. But it would be wrong to believe the feverish instability on the Swedish bourse is at an end. A day's trading is a long time on the stock market, and it has had some difficult days since Saddam Hussein's occupation of Kuwait on 2 August; over those two months, the Swedish bourse index had dropped by 34 per cent until yesterday's recovery.

Last week's sudden dramatic deterioration on the Stockholm bourse came, then, as an added shock to those who looked with admiration on its bullish achievements, following its emergence in

the middle 1980's, after deregulation, to become one of the best performers in the world.

But the troubles that hit the market so hard in September are more than just an understandable response to the events in the Gulf, and other fears shared by stock markets across the world.

Sweden has its own internal troubles, reflected in a stock market slide from mid-summer, which have been compounded by the impact of this autumn's international anxieties. Deregulation provided the impetus for its rise, but it has also had painful consequences.

The period of liberation brought a feeling of euphoria onto the Stockholm bourse, its market value jumped from SKr285m in 1985 to SKr744m last year. And while domestic turnover was much less dramatic, as many investors preferred to trade in shares in Sweden's blue-chip companies elsewhere, observers still say that there was a kind of delirium on the bourse in the 1980's: this was the decade which saw the rise of the finance companies, like Nyckeln, Gamlestaden and Infima, which triggered last week's crisis of confidence in their perception by banks, and institutional investors.

The sobering of the bourse also stems from worrying signs of a sharp deterioration in Sweden's macroeconomic outlook. The latest forecasts suggest that, in 1991,

Sweden will suffer from a sizeable drop in its industrial investment, a huge balance of payments deficit amounting to over 4 per cent of its gross domestic product, a zero trade balance, soaring wage and price inflation, and an actual drop in its economic growth rate. In short, the country is heading for a rough landing in the midst of a costs crisis.

None of this is likely to improve the atmosphere on the stock market. Indeed, cripplingly high interest rates look like remaining Sweden's main line of defence in containing monetary pressures, even though they are hitting the property market hard and precipitating a sharp increase in loan losses.

A growing number of listed companies are also reporting poorer than expected results while blue-chips like Electrolux, Volvo, Saab-Scania, SKF and Trelleborg have been underperforming. However, some of last week's big losers, like the construction company Skanska, improved strongly yesterday, while demand for Ericsson and Astra shares remains buoyant.

In recent years the Stockholm bourse often seemed insulated from the realities of the wider economy but now its chickens have come home to roost. There has been an unsettling convergence between the stock market and the country's economic performance.



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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 1 1990								FRIDAY SEPTEMBER 28 1990								DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Year Index	DM Index	Local Currency Index	1989 High	1990 Low	Year ago (approx)				
Australia (79)	135.45	+0.1	108.28	117.22	100.26	106.38	-0.6	7.04	136.30	107.97	118.24	110.16	108.02	150.31	125.85	136.01			
Austria (19)	136.01	+3.5	145.35	150.87	150.04	149.55	+2.8	1.82	137.74	142.24	142.24	148.34	148.15	205.63	178.57	136.01			
Belgium (61)	130.04	+1.8	105.04	112.52	104.88	102.82	+1.1	6.84	137.68	101.02	111.35	103.93	101.28	100.02	129.67	130.04			
Canada (119)	128.36	+0.7	100.72	111.07	103.53	107.12	+0.3	3.74	127.51	100.90	111.42	103.81	106.78	153.51	127.51	128.36			
Denmark (33)	236.38	+1.9	187.81	207.14	193.07	192.97	+1.1	1.54	234.84	185.84	205.23	191.20	180.85	277.62	234.05	236.38			
Finland (25)	104.99	+1.1	82.38	90.86	84.69	81.17	+0.1	3.37	103.67	82.20	90.78	84.57	81.12	132.29	103.43	104.99			
France (122)	130.20	+3.2	102.18	112.68	105.01	106.20	+2.4	3.86	128.17	98.94	110.25	102.71	103.25	184.95	124.98	130.20			
West Germany (82)	107.85	+6.4	84.83	93.34	86.98	85.99	+5.4	2.28	101.38	80.23	88.61	82.54	82.54	144.03	101.38	107.85			
Hong Kong (48)	114.08	+1.1	82.51	85.72	82.82	81.88	+1.1	5.80	112.82	86.28	98.59	91.85	112.43	147.48	112.24	114.08			
Ireland (17)	108.25	+1.2	108.25	112.51	113.57	-1.3	4.61	130.61	110.48	122.01	113.67	114.87	108.57	130.04	108.25	108.25			
Italy (84)	83.01	+1.9	65.13	71.83	66.95	72.11	+1.2	3.30	81.42	64.45	71.15	68.29	71.26	108.26	80.87	83.01			
Japan (64)	106.58	-1.8	83.82	82.23	86.98	82.23	-2.5	0.92	108.36	85.75	84.70	88.24	84.70	197.26	106.58	106.58			
Malaysia (58)	153.16	-0.1	143.72	169.30	147.74	160.29	-0.9	3.21	152.85	144.78	159.88	148.95	150.29	250.89	152.85	153.16			
Mexico (13)	480.89	-0.1	377.17	415.97	387.73	1253.70	+0.0	0.34	481.19	380.79	420.51	391.76	1525.70	561.41	324.83	480.89			
Netherlands (42)	130.82	+2.4	102.48	113.04	105.37	104.27	+1.5	5.48	127.56	100.95	111.48	103.96	102.78	148.03	127.56	130.82			
New Zealand (16)	56.85	+1.9	44.61	49.20	43.86	43.70	-0.7	7.14	55.11	44.41	49.04	45.89	43.36	75.36	55.82	56.85			
Norway (23)	245.05	+0.6	192.26	212.05	197.85	200.30	-0.1	1.58	243.81	192.78	212.80	198.35	200.25	278.70	202.34	245.05			
Singapore (25)	148.34	+0.7	116.39	128.37	119.85	120.31	-0.5	3.47	147.24	116.52	128.57	119.57	119.72	209.24	147.24	148.34			
South Africa (90)	181.73	-2.7	128.90	138.93	130.46	137.02	-2.4	4.23	188.28	131.58	145.51	135.57	140.33	281.59	161.73	181.73			
Spain (42)	116.80	+1.2	91.85	101.08	94.22	106.40	+0.7	5.69	128.54	101.72	112.30	104.05	98.43	128.54	101.72	116.80			
Sweden (34)	170.05	+7.6	133.43	147.16	137.17	144.06	+6.8	2.79	169.07	125.09	136.14	129.70	134.85	234.93	159.07	170.05			
Switzerland (85)	88.64	+4.2	66.48	76.63	71.49	70.78	+3.4	3.00	85.00	67.28	74.28	68.21	68.48	109.77	85.00	88.64			
United Kingdom (300)	152.87	+0.8	109.22	118.58	108.78	108.78	+0.0	5.80	148.78	117.74	130.61	121.12	117.74	178.18	130.61	152.87			
USA (159)	128.83	+2.5	98.52	106.78	102.51	126.83	+2.5	3.98	127.91	97.61	107.90	100.43	98.25	122.30	102.51	128.83			
Europe (770)	129.14	+3.4	101.35	111.78	104.17	102.77	+2.5	4.42	134.91	98.62	109.16	101.70	100.24	167.85	104.91	129.14			
Nordic (116)	179.17	+3.9	140.58	155.05	144.52	142.16	+3.2	2.12	172.38	136.41	150.64	140.34	137.82	223.29	172.38	179.17			
Pacific Basin (657)	107.82	-1.5	84.80	93.31	86.97	93.41	-2.4	1.39	109.42	85.99	95.82	89.09	95.69	192.75	107.82	107.82			
Euro-Pacific (1827)	116.81	+0.7	91.85	101.07	94.21	98.08	-0.2	2.60	118.03	81.82	101.39	94.48	98.50	174.18	116.81	116.81			
North America (659)	125.84	+2.7	90.82	100.77	92.88	102.55	+2.7	3.67	123.52	87.74	107.85	100.38	122.29	148.43	125.84	125.84			
Europe Ex. UK (870)	114.17	+3.9	89.59	98.82	92.11	92.46	+3.0	3.61	109.94	80.00	95.09	89.52	89.78	146.82	114.17	114.17			
Pacific Ex. Japan (203)	121.78	+0.3	95.55	105.40	96.24	104.47	+0.1	6.28	121.40	87.10	98.85	98.84	104.28	148.72	121.40	121.78			
World Ex. US (1819)	117.85	+0.6	82.47	101.99	96.07	98.15	-0.2	2.85	117.12	82.66	102.36	95.96	99.38	173.77	117.12	117.85			
World Ex. UK (255)	116.80	+1.2	91.85	101.08	94.22	106.40	+0.7	2.90	115.97	81.29	102.82	93.84	105.72	182.00	115.97	116.80			
World Ex. So. Am. (2283)	119.75	+1.4	93.96	103.84	96.60	107.63	+0.9	3.22	118.04	86.41	103.17	96.11	108.58	181.84	118.04	119.75			
World Ex. Japan (1899)	128.17	+2.8	100.57	110.92	103.40	116.28	+2.4	4.22	124.66	98.67	108.97	101.43	113.53	191.59	124.66	128.17			
The World Index (2333)	120.01	+1.4	94.16	103.85	96.81	107.63	+0.9	3.23	118.33	89.64	102.42	96.36	106.91	182.05	118.33	120.01			